

Multifield

Multifield International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0898)

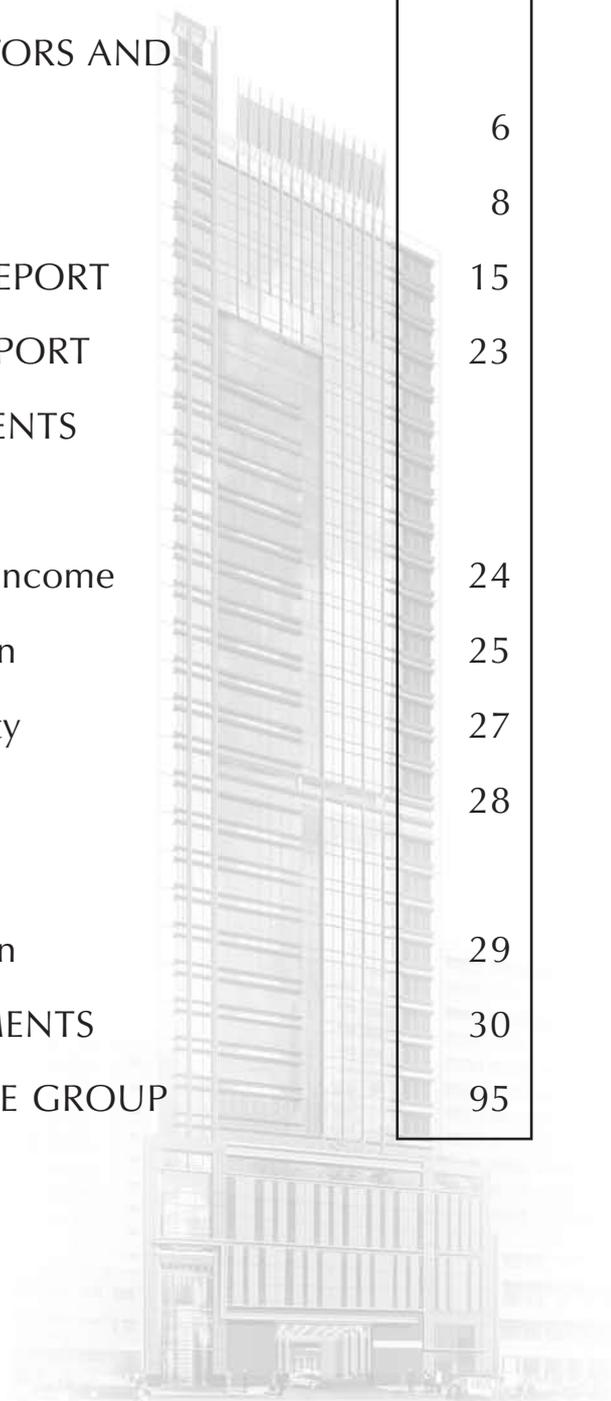
ANNUAL REPORT 2012

* Conceptual design of
Multifield Tower



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Chi Yung, Kenneth (*Chairman*)

Mr. Lau Michael Kei Chi (*Vice-Chairman and Managing Director*)

Independent Non-executive Directors

Mr. Lee Siu Man, Ervin

Mr. Wong Yim Sum

Mr. Lo Yick Wing

Mr. Tsui Ka Wah

AUDIT COMMITTEE

Mr. Wong Yim Sum (*Chairman*)

Mr. Lee Siu Man, Ervin

Mr. Lo Yick Wing

Mr. Tsui Ka Wah

REMUNERATION COMMITTEE

Mr. Tsui Ka Wah (*Chairman*)

Mr. Lau Chi Yung, Kenneth

Mr. Lau Michael Kei Chi

Mr. Lee Siu Man, Ervin

Mr. Wong Yim Sum

Mr. Lo Yick Wing

NOMINATION COMMITTEE

(Established on 28 March 2012)

Mr. Lau Chi Yung, Kenneth (*Chairman*)

(Appointed as Chairman on 28 August 2012)

Mr. Lau Michael Kei Chi

(Resigned as Chairman on 28 August 2012)

Mr. Lee Siu Man, Ervin

Mr. Wong Yim Sum

Mr. Lo Yick Wing

Mr. Tsui Ka Wah

COMPANY SECRETARY

Mr. Lau Kwok Yin

(Appointed on 12 October 2012)

Ms. Chuang Hung Ting

(Appointed on 1 May 2012)

(Resigned on 12 October 2012)

Mr. Yau Yuk Kau, Benny

(Resigned on 1 May 2012)

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Bank Sarasin of Cie AG, Hong Kong Branch

Bank of China

SOLICITORS

Cheung Tong & Rosa Solicitors

Poon, Yeung & Li

F. Zimmern & Co.

AUDITORS

HLB Hodgson Impey Cheng Limited

Chartered Accountants

Certified Public Accountants

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

PRINCIPAL PLACE OF BUSINESS

8th Floor Multifield House

54 Wong Chuk Hang Road

Hong Kong

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited

26 Burnaby Street

Hamilton HM 11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tricor Tengis Limited

26/F., Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of directors (the "Board") of Multifield International Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

REVIEW OF OPERATION

With signs of recovery for both global and local economy, year 2012 was on the whole a challenging and opportunistic year for the Group. During the year under review, the Group recorded a net profit of about HK\$630 million (2011: HK\$189 million).

PROPERTY INVESTMENT

Hong Kong

Investment properties in Hong Kong mainly comprise of office buildings, industrial buildings, shopping centres with some retail shops. Signs of economic recovery drives a raising selling price and demand on office buildings, shopping centres and retail shops. Indeed, the investment properties consistently contributed stable rental revenue of approximately HK\$49 million (2011: HK\$40 million).

Shanghai, PRC

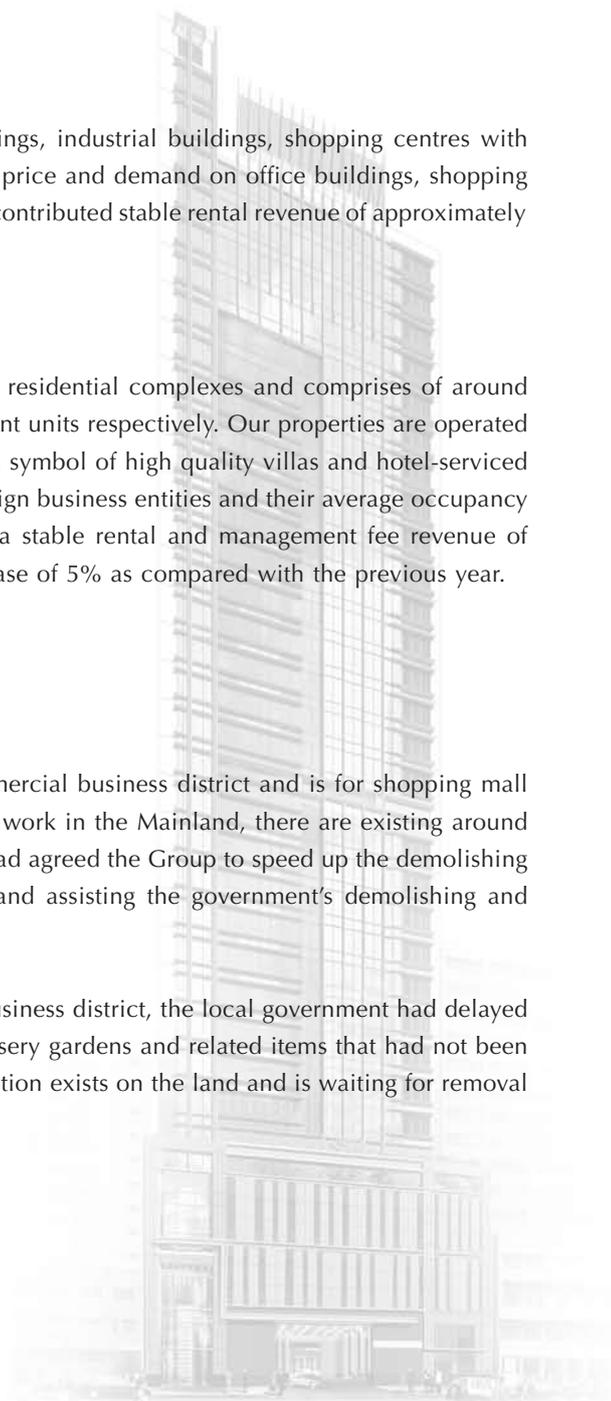
The Group's properties portfolio in Shanghai, PRC is divided in three residential complexes and comprises of around 182 blocks of garden and pool houses and 132 hotel-serviced apartment units respectively. Our properties are operated under the trademark of "Windsor Renaissance" which is regarded as a symbol of high quality villas and hotel-serviced apartments in Shanghai. They are well accepted by consulates and foreign business entities and their average occupancy rate generally stands above 90%. In 2012, the properties generated a stable rental and management fee revenue of approximately HK\$161 million (2011: HK\$153 million) with an increase of 5% as compared with the previous year.

Zhuhai, PRC

The Group holds two land banks in Zhuhai, PRC.

The land of about 36,808 square meters is located at Qianshan commercial business district and is for shopping mall and retail stores usage. Due to difficulties in demolish and relocation work in the Mainland, there are existing around 12 households under demolish and relocation. The local government had agreed the Group to speed up the demolishing and relocation work, meanwhile the Group is actively cooperating and assisting the government's demolishing and relocation work.

For the land of about 94,111 square meters in Doumen commercial business district, the local government had delayed the land transfer to the Group until December 2010 as there were nursery gardens and related items that had not been cleared. However, there are still high voltage wires and electric sub-station exists on the land and is waiting for removal by related governmental units.



CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

The Group had finished overall design plan to include a 5-star hotel with not less than 500 rooms, plus a large commercial centre comprising of exhibiting and shopping mall usage. The Group had submitted to local planning department the application on year 2011, however until now no approval was granted from local government as they requested the Group to revise design plan for several times to suit the local environmental plan and future traffic plan. The Group will continue and actively negotiate with local government and urge them to speed up the approval process, so that the Group can continue its overall construction work.

To coordinate with the hotel project in Zhuhai, the Group had purchased three units in Doumen and Jinwan district for staff usage.

TRADING AND INVESTMENTS

Stock market and bond market both shows signs of recovery due to active Quantitative Easing in the US and other main industrial countries. As at 31 December 2012, the Group holds around HK\$211 million of equity investment and around HK\$266 million of available-for-sale investments. The Group's equity investments recorded a net fair value gain of approximately HK\$39 million (2011: loss of HK\$78 million) when marking the investment portfolios to market valuation as at 31 December 2012.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and banking facilities provided by principal bankers in Hong Kong. In order to preserve liquidity and enhance interest yields, liquid assets were maintained in the form of highly liquid equity investments and debt investments of approximately HK\$477 million (2011: HK\$423 million) as at 31 December 2012. The Group's cash and cash equivalents as at 31 December 2012 amounted to approximately HK\$207 million (2011: HK\$154 million).

As at 31 December 2012, the Group had total bank and other borrowings amounting to approximately HK\$922 million (2011: HK\$1,003 million) which were secured by legal charges on certain investment properties in Hong Kong and Shanghai, and certain equity investments and available-for-sale investments. With the total bank and other borrowings of HK\$922 million (2011: HK\$1,003 million) and the aggregate of the shareholder funds, non-controlling interest and total bank borrowings of approximately HK\$5,640 million (2011: HK\$5,012 million), the Group's gearing ratio as at 31 December 2012 was around 16% (2011: 20%).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group had approximately 255 employees, of whom 200 were based in the Mainland and 55 in Hong Kong. The remuneration packages of the Group's employees are mainly based on their performance, experience and the prevailing market condition. In addition to the basic salaries, the Group also provides staff benefits including discretionary bonus, provident fund and tuition/training subsidies in order to retain competent employees.

PROSPECT

The world financial market still consists many uncertain factors for the coming year. Although European sovereign debt crisis has mitigated, the short-term prospect of actual economic and employment prospect in Euro zone is not optimistic. Besides, the interest rate and current yield of US bonds are in well low level due to several Quantitative Easing. Lack of support of fundamental factors, it is uncertain how long the current asset price level can sustain.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

The new five control policies on real estates in PRC bring downward pressure on prices of real estates. As mainland developers and owners of real estates may switch from selling to letting, supply of rental units increase may bring downward pressure on rents. Despite of this, the Group's rental agreement in PRC mainly consists of long-term and medium-term rental agreements, the Group believes there will not have immediate impact on its PRC rental business.

To show the strike of real estates speculation, the HKSAR government strengthens the control on housing market for several times, leading to suppress on property trading market. The Group will strength the rental business in Hong Kong, and utilize its excess liquidity to further invest in equity investments and debt investments.

Under the uncertain and volatile worldwide financial environment, the Group will adhere to its prudent financial policy and maintain high liquidity and low gearing. We strongly believe that we have the necessary skills and expertise, and gradual enhance on investment diversification to enhance long-term and medium-term investment returns, so as to work towards the goal of maximizing our shareholders' wealth.

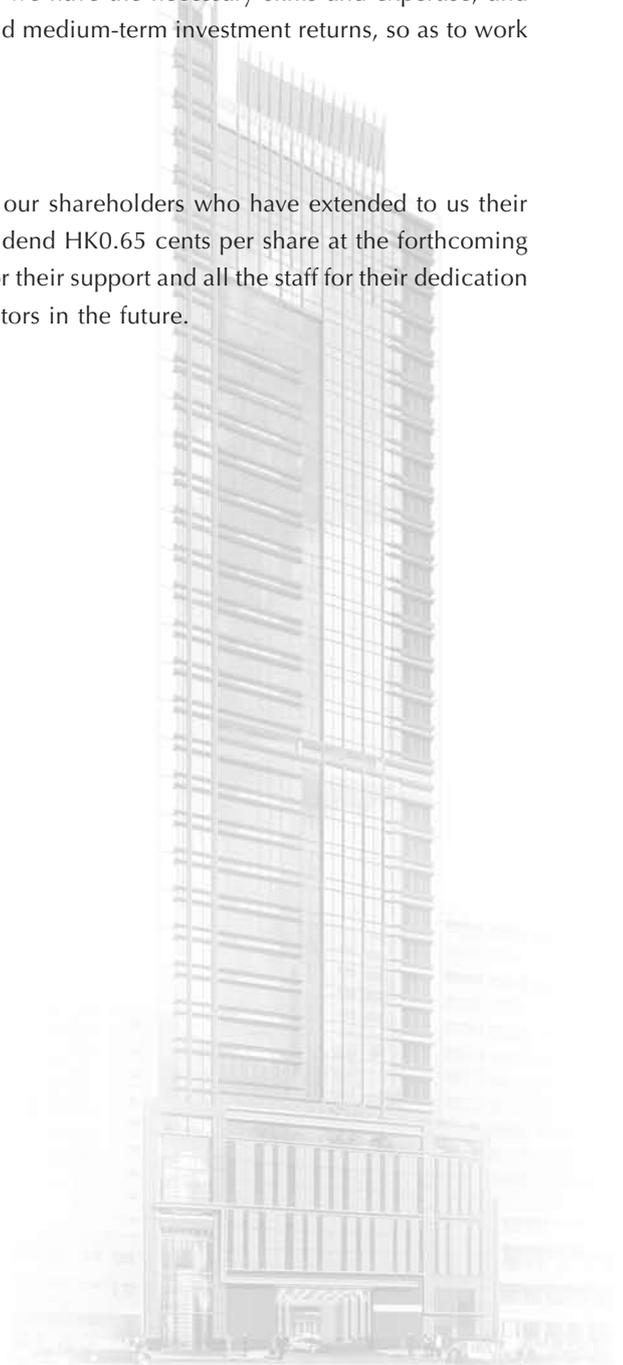
ACKNOWLEDGEMENT

On behalf of the Board and management team, I would like to thank our shareholders who have extended to us their trust. The Board and management have decided to propose a final dividend HK0.65 cents per share at the forthcoming annual general meeting. I would also like to thank my fellow directors for their support and all the staff for their dedication and hard work. I believe that we will create greater value to our investors in the future.

Lau Chi Yung, Kenneth

Chairman

Hong Kong, 26 March 2013



BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LAU Chi Yung, Kenneth, aged 53, is the Chairman and a Director of Multifield International Holdings Limited (the “Company”). Mr. Lau is also the Chairman and a Director of Oriental Explorer Holdings Limited (Stock Code: 430), whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Mr. LAU Michael Kei Chi, aged 59, is the Vice-Chairman and Managing Director of the Company. Mr. Lau is also the Vice-Chairman and Managing Director of Oriental Explorer Holdings Limited and is the elder brother of Mr. Lau Chi Yung, Kenneth.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LEE Siu Man, Ervin, aged 57, is a Registered Architect and Authorized Person in Hong Kong. He is a member of the Hong Kong Institute of Architects and the Royal Australian Institute of Architects, and the founder and currently the Managing Director of Fotton-ELA Architects Ltd. and Ervin & Lloyds Engineering Ltd. which provide comprehensive services including architecture, civil, structural and geotechnical engineering, town planning, estate surveying and construction in the building and development field. Mr. Lee is also an Independent Non-executive Director of Oriental Explorer Holdings Limited.

Mr. WONG Yim Sum, aged 47, is currently the Director of Conpak CPA Limited, a firm of Certified Public Accountants in Hong Kong. Mr. Wong has extensive experience in the finance and auditing fields and is currently practicing as a Certified Public Accountant. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA). Mr. Wong is also an Independent Non-executive Director of Oriental Explorer Holdings Limited.

Mr. LO Yick Wing, aged 60, is a Registered Architect and Authorized Person in Hong Kong. He has attained Class I Registered Architect Qualification (中華人民共和國一級註冊建築師資格) in the People's Republic of China (the “PRC”). He is a member of the Hong Kong Institute of Architects and the Royal Australian Institute of Architects and The Association of Architectural Practices Ltd. Mr. Lo is the founder and currently the Managing Director of Lo & Partners Architects & Development Consultants Ltd. which provide comprehensive professional services including architecture, planning, interior design, landscaping design and real estate development consultancy. Mr. Lo is also an Independent Non-executive Director of Oriental Explorer Holdings Limited.

Mr. TSUI Ka Wah, aged 60, has 28 years of banking experience with United States and local banks, and has held various management positions in corporate, retail and private banking. Until recently, he was the President of Great China Region for a bank of United States, overseeing operations in Taiwan, the PRC and Hong Kong. Mr. Tsui holds a Bachelor Degree and a Master Degree of Business Administration from the Chinese University of Hong Kong. Mr. Tsui is also an Independent Non-executive Director of Oriental Explorer Holdings Limited and Southeast Asia Properties & Finance Limited (Stock Code: 252) respectively, whose shares are listed on the main board of the Stock Exchange.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. SIU Wai King, Donna, aged 48, is the General Manager of the Group. She is responsible for the business of property investment and property management in Hong Kong and has over 20 years experience. She is also responsible for the Group's personnel and administration work.

Mr. MASSY Jean-Philippe, aged 36, is the General Manager of the Group's subsidiaries in Shanghai. He is responsible for the property management of the hotel service apartments business in Shanghai. He holds a Master Degree in Management. He has over 10 years experience in management and marketing.

Ms. FAN Qing, aged 43, is the Accounting Department Manager of the Group's subsidiaries in Shanghai. She holds 國家中級會計師資格. She has over 15 years experience in real estate development and operation.

Ms. GU He, aged 36, is the Accounting Department Manager of the Group's subsidiaries in Zhuhai. She holds a Bachelor Degree and 國家中級會計師資格. She has over 15 years experience.

Mr. WONG Ka Wah, aged 34, is the Deputy Manager of the Accounting Department of the Group. He holds a Bachelor Degree and is a member of the HKICPA. He has over 7 years experience in auditing and accounting.

Mr. LAU Kwok Yin, aged 28, is the Company Secretary of the Company. He holds a Bachelor Degree and is a member of the HKICPA. He has over 5 years experience in finance and banking operations.

Ms. WANG Shu Fen, aged 57, is the Procurement Department Manager of the Group's subsidiaries in Shanghai. She is a Certified Public Accountant. She is responsible for costs control and internal audit of the Group. She has over 15 years experience in accounting and auditing.

Ms. WANG Wen Yang, aged 34, is the Property Leasing Department Manager of the Group's subsidiaries in Shanghai. She holds a Bachelor Degree. She is responsible for the leasing and sales of properties in the PRC. She has over 10 years experience in real estate leasing.

Ms. WANG Yu, aged 41, is the Personnel and Administration Department Manager of the Group's subsidiaries in Shanghai. She holds a Bachelor Degree. She has over 10 years experience in personnel administration.

Mr. CHEN Gang, aged 43, is the Project Manager of the Group's subsidiaries in Zhuhai. He is a College Graduate. He has over 10 years experience in property development.

Ms. MAO Ling Hua, aged 38, is the Property Manager of Windsor Place, a project under the Group's subsidiaries in Shanghai. She is a College Graduate. She has over 15 years experience in property management.

Ms. PU Qian Yu, aged 40, is the Property Manager of Windsor Park, a project under the Group's subsidiaries in Shanghai. She holds a Bachelor Degree. She has over 8 years experience in property management.

Ms. SHEN Yan, aged 39, is the Property Manager of Windsor Court, a project under the Group's subsidiaries in Shanghai. She holds a Bachelor Degree. She has over 10 years experience in property management.

Ms. JIAN Chu Shan, aged 38, is the Deputy Manager of Accounting Department of the Group's subsidiaries in Zhuhai. She holds a Bachelor Degree.

REPORT OF THE DIRECTORS

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 14 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 24 to 29.

The directors recommend the payment of a final dividend of HK0.65 cents per ordinary share in respect of the year ended 31 December 2012 (2011: HK0.50 cents), to shareholders whose name appeared on the register of members on 4 June 2013. The final dividend if approved, will be distributed to the shareholders on or about 18 June 2013. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves section of the statement of financial position.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years. The information has been extracted from the published audited financial statements of the Company, after appropriate adjustments and reclassifications. This summary does not form part of the audited financial statements.

REPORT OF THE DIRECTORS

RESULTS

	Year ended 31 December				
	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000
Revenue	282,610	141,550	215,354	228,671	83,953
Cost of sales	(35,429)	(47,536)	(29,145)	(25,358)	(23,053)
Gross profit	247,181	94,014	186,209	203,313	60,900
Other income and gains	450,068	246,265	565,849	531,194	154,220
Operating and administrative expenses	(56,171)	(93,998)	(27,671)	(34,064)	(49,013)
Finance costs	(13,912)	(10,512)	(7,446)	(6,826)	(22,642)
Profit before tax	627,166	235,769	716,941	693,617	143,465
Income tax credit/(expense)	2,883	(46,410)	(4,246)	(168,152)	(17,748)
Profit for the year	630,049	189,359	712,695	525,465	125,717
Attributable to:					
Owners of the Company	535,554	172,435	512,204	423,999	50,925
Non-controlling interests	94,495	16,924	200,491	101,466	74,792
	630,049	189,359	712,695	525,465	125,717

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000
Total assets	6,603,342	5,971,037	5,480,661	4,686,075	4,089,711
Total liabilities	(1,885,324)	(1,961,707)	(1,622,026)	(1,624,395)	(1,524,958)
Non-controlling interests	(1,079,957)	(948,037)	(961,143)	(761,930)	(692,231)
	3,638,061	3,061,293	2,897,492	2,299,750	1,872,522

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively.

PROPERTIES HELD FOR SALE

Details of the Group's properties held for sale are set out in note 19 to the financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of movements in share capital and share option scheme of the Company during the year are set out in notes 29 and 30 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company's reserves available for cash distribution and/or distribution in specie, as calculated in accordance with the Companies Act of Bermuda, amounted to approximately HK\$940,199,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's turnover and less than 30% of the Group's purchases were attributable to the Group's five largest customers and five largest suppliers respectively.

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company (the “Director(s)”) during the year and up to the date of this report were:

Executive Directors

Mr. Lau Chi Yung, Kenneth (Chairman)
Mr. Lau Michael Kei Chi (Vice-Chairman and Managing Director)

Independent Non-executive Directors

Mr. Lee Siu Man, Ervin
Mr. Wong Yim Sum
Mr. Lo Yick Wing
Mr. Tsui Ka Wah

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

In accordance with the Company’s bye-laws, Mr. Lee Siu Man, Ervin and Mr. Tsui Ka Wah will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

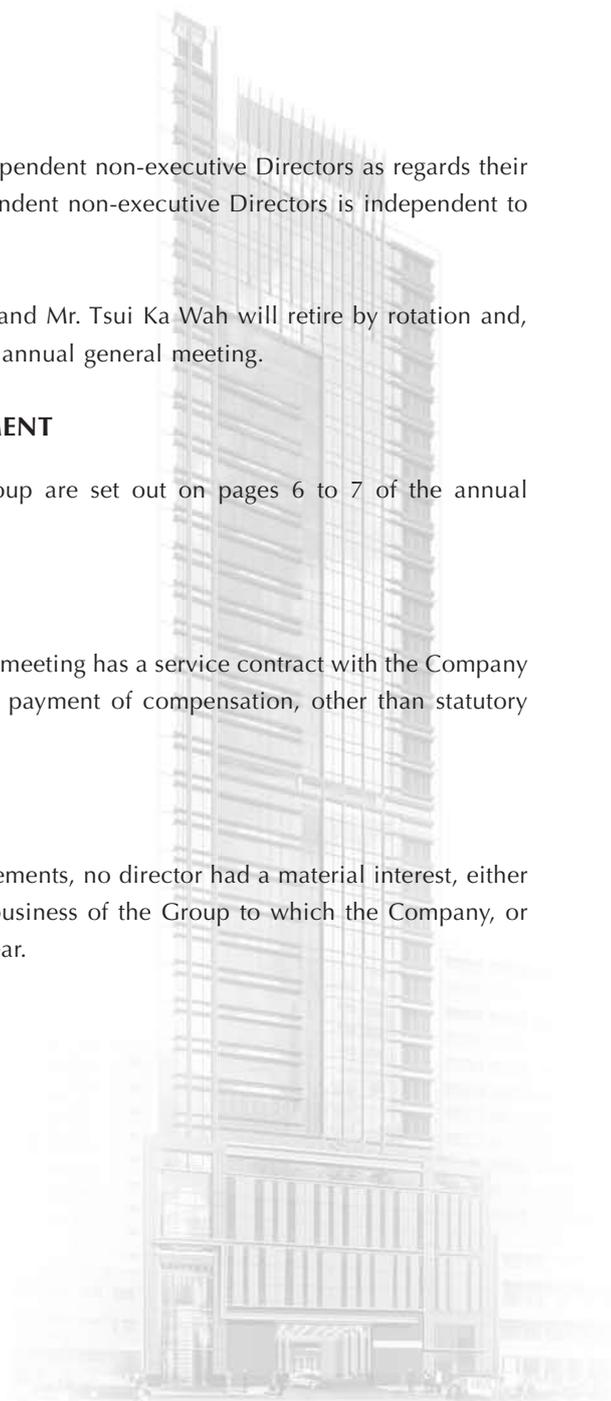
Brief biography of the Directors and senior management of the Group are set out on pages 6 to 7 of the annual report.

DIRECTORS’ SERVICE CONTRACTS

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

DIRECTORS’ INTERESTS IN CONTRACTS

Apart from those transactions disclosed in note 35 to the financial statements, no director had a material interest, either directly or indirectly, in any material contract of significance to the business of the Group to which the Company, or any of its holding companies or subsidiaries was a party during the year.



REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

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

Long position in ordinary shares of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of the Company %
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	2,797,055,712*	66.91

Long position in ordinary shares of associated corporation – Oriental Explorer Holdings Limited, a subsidiary of the Company

Name of Director	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of associated corporation %
Mr. Lau Chi Yung, Kenneth	Interest of controlled corporation	1,101,826,999*	61.21

* *The above shares are ultimately controlled by Power Resources Holdings Limited which acts as the trustee under the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.*

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2012, none of the Directors or the chief executive of the Company had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the 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 were taken or deemed to have under such provisions of SFO), or which as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporation" above and in the share option scheme disclosures in note 30 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies or subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

So far as was known to the Directors, as at 31 December 2012, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company

Name of Shareholders	Capacity and nature of interest	Number of shares held	Approximate percentage of the total issued share capital of the Company %
Power Resources Holdings Limited	Interest of controlled corporation	2,797,055,712*	66.91
Lucky Speculator Limited	Directly beneficially owned	2,195,424,000*	52.52
Desert Prince Limited	Directly beneficially owned	601,631,712*	14.39

* Power Resources Holdings Limited was deemed to have a beneficial interest in 2,797,055,712 ordinary shares of the Company by virtue of its indirect interests through Lucky Speculator Limited and Desert Prince Limited, the wholly-owned subsidiaries, which held shares in the Company.

Save as disclosed above, as at 31 December 2012, so far as was known to the Directors, no person, other than the Directors, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporation" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 35 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

The financial statements 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. 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 annual general meeting.

The financial statements 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

Lau Chi Yung, Kenneth

Chairman

Hong Kong

26 March 2013

CORPORATE GOVERNANCE REPORT

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal control, transparency and accountability to all shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (the "Code") (effective from 1 April 2012) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2012, save as disclosed below.

Under code provisions of A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term, subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

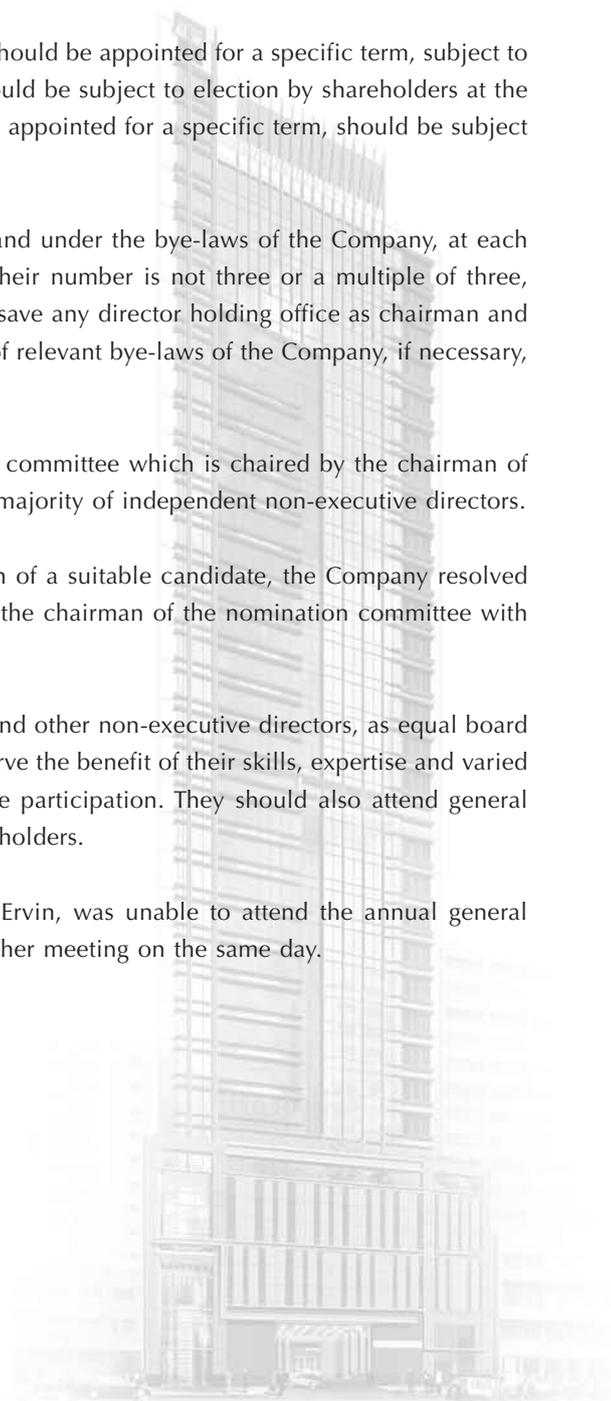
Non-executive directors do not have a specific term of appointment and under the bye-laws of the Company, at each general meeting, one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant bye-laws of the Company, if necessary, in order to ensure compliance with the Code.

Under code provision of A.5.1, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.

At a meeting of the Board on 28 August 2012 and upon identification of a suitable candidate, the Company resolved to appoint the chairman of the Board, Mr. Lau Chi Yung, Kenneth, as the chairman of the nomination committee with immediate effect for compliance with the Code.

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

One of the independent non-executive Directors, Mr. Lee Siu Man, Ervin, was unable to attend the annual general meeting of the Company held on 28 May 2012 as he was having another meeting on the same day.



CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND BOARD PRACTICE

The Board is mandated to promote the success of the Company by providing leadership and supervising control of the Group's business.

Currently, the Board comprises two executive Directors and four independent non-executive Directors. The positions of chairman and managing director are held by separate individuals. The chairman provides leadership for the board and the managing director, supported by the management team, provides planning and implementation. The Board, led by Mr. Lau Chi Yung, Kenneth is responsible for the approval and monitoring of the Group's overall strategies and policies, approval of annual budgets and business plans; evaluating the performance of Group; and oversight of management. The chairman ensures that the Board works effectively and discharges its responsibilities. All directors have been consulted on all major and material matters of the Company. With the support of the company secretary, the chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

To implement the strategies and plans approved by the Board, executive directors and senior management meet on a regular basis to review the performance of the Group and make financial and operational decisions.

Under the Listing Rules, every listed issuer is required to have at least three independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Currently, the number of independent non-executive directors represents more than one-third of the total board members.

Save as Mr. Lau Michael Kei Chi is the elder brother of Mr. Lau Chi Yung, Kenneth, the members of the Board have no financial, business, family or other material/relevant relationships with one another.

The Company has arranged directors and officers liability and company reimbursement insurances for its directors and officers.

Each of the independent non-executive director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Review will be made regularly on the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The brief biography of the Directors are set out on page 6.

CORPORATE GOVERNANCE REPORT

The Board has scheduled regular meetings per year and meets more frequently as and when required to discuss and formulate the Group's overall business strategies, monitor financial performance and discuss the annual results, interim results and other significant matters. The Director can attend meetings in person or through other means of electronic communication. During the financial year ended 31 December 2012, the attendance of individual Director to the Board meeting is summarized below:-

	Number of meetings attended/held
Executive Directors	
Mr. Lau Chi Yung, Kenneth	5/5
Mr. Lau Michael Kei Chi	5/5
Independent Non-executive Directors	
Mr. Lee Siu Man, Ervin	4/5
Mr. Wong Yim Sum	5/5
Mr. Lo Yick Wing	5/5
Mr. Tsui Ka Wah	5/5

The company secretary keeps the Board minutes of the Company for inspection by the Directors and all Directors have full access to information of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2012. The interests held by individual Directors in the Company's securities as at 31 December 2012 are set out in the "Report of the Directors" on pages 8 to 14.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure that preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

DIRECTORS' CONTINUING PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

CORPORATE GOVERNANCE REPORT

Directors' training is an ongoing process. During the year, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year, the Company has also organised two briefing sessions conducted by Messrs. BMS Corporate Services Limited and Lo & Partners Architects & Development Consultants Ltd. respectively for the Directors. The briefing sessions covered topics including the Code, the responsibilities of directors of listed issuers and the impact of revised stamp duty on real estates industry.

According to the records provided by the Directors, a summary of training received by the Directors since 1 April 2012 up to 31 December 2012 is as follows:

Type of continuous professional development programmes

Executive Directors

Mr. Lau Chi Yung, Kenneth	A, B
Mr. Lau Michael Kei Chi	A, B

Independent Non-executive Directors

Mr. Lee Siu Man, Ervin	A, B
Mr. Wong Yim Sum	A, B
Mr. Lo Yick Wing	A, B
Mr. Tsui Ka Wah	A, B

Notes:

A: attending briefing sessions and/or seminars

B: reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Lau Chi Yung, Kenneth serves as the Chairman of the Company, and the role of Chief Executive Officer of the Company is served by our Managing Director, Mr. Lau Michael Kei Chi. They have separate defined responsibilities whereby the Chairman is primarily responsible for leadership and effective functioning of the Board, ensuring key issues are promptly addressed by the Board, as well as providing strategic direction of the Company, and also take primary responsibility for ensuring good corporate governance practices and procedures are established. The Managing Director is responsible for the day-to-day management of the Company's business and the effective implementation of corporate strategy and policies.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company has established an audit committee in accordance with the Listing Rules. The audit committee's terms of reference includes those specific duties as set out in the code provision C.3.3 of the Code. Pursuant to its terms of reference, the audit committee is required, amongst other things, to consider and recommend to the Board the appointment, re-appointment and removal of the external auditors and to approve their remuneration, to review the interim and annual financial statements, to review the Group's financial controls, internal controls and risk management system and to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response. The audit committee should meet at least twice each year and when the need arises. Details of the attendance of audit committee meetings are as follows:

Members	Number of meetings attended/held
Mr. Wong Yim Sum (<i>Chairman</i>)	4/4
Mr. Lee Siu Man, Ervin	3/4
Mr. Lo Yick Wing	4/4
Mr. Tsui Ka Wah	4/4

In the presence of the representatives of the Company's independent external auditors, the Group's draft audited consolidated financial statements for the year ended 31 December 2012 have been reviewed by the audit committee, and with recommendation to the Board for approval.

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 reappointed as the auditors of the Company at the forthcoming annual general meeting of the Company.

REMUNERATION COMMITTEE

The main responsibilities of the Remuneration Committee are to consider and recommend to the Board the Company's remuneration policy and structure and to review and determine the remuneration and compensation packages of the executive directors and senior management of the Company. The remuneration committee reviews and proposes the management's remuneration proposals with reference to considerations factors such as the Group's performance and profitability, directors' experience, responsibilities and time commitment, existing market environment, salaries paid by comparable companies, employment conditions elsewhere in the Group, and consider the reasonableness on remuneration based on performance.

CORPORATE GOVERNANCE REPORT

The remuneration committee set up on 16 September 2005 comprises two executive Directors and four independent non-executive Directors. Details of the attendance of the committee are as follows:

Members	Number of meetings attended/held
Mr. Tsui Ka Wah (<i>Chairman</i>)	1/1
Mr. Lau Chi Yung, Kenneth	1/1
Mr. Lau Michael Kei Chi	1/1
Mr. Lee Siu Man, Ervin	1/1
Mr. Wong Yim Sum	1/1
Mr. Lo Yick Wing	1/1

NOMINATION COMMITTEE

The role of nomination committee set up on 28 March 2012 is to advise on and propose to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. The selection criteria are mainly based on the professional qualification and experience of the candidate. A newly appointed director must retire and be re-elected at the first general meeting after his appointment. At each annual general meeting, one-third of the director (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. A retiring director shall be eligible for re-election. Details of the attendance of the committee are as follows:

Members	Number of meetings attended/held
Mr. Lau Chi Yung, Kenneth (<i>Chairman</i>)	1/1
Mr. Lau Michael Kei Chi	1/1
Mr. Lee Siu Man, Ervin	1/1
Mr. Wong Yim Sum	1/1
Mr. Lo Yick Wing	1/1
Mr. Tsui Ka Wah	1/1

The Nomination Committee periodically reviews the structure, size and composition of the Board, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. Its duties includes identifying individuals suitably qualified to become Board members, and select or make recommendations to the Board on the selection of individuals nominated for directorships, and assess the independence of independent non-executive directors.

Most nomination committee members are independent non-executive directors.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislation and regulations.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

In line with the sound practice that the independence of external auditors should not be impaired by other non-audit assignments, the Group ensures that assignments other than statutory audits undertaken by external auditors should not have an adverse impact on their independence.

For the year ended 31 December 2012, the auditors of the Company received approximately HK\$650,000 for audit service and HK\$Nil for tax and consultancy services.

COMPANY SECRETARY

As at 31 December 2012, the company secretary of the Company, Mr. Lau Kwok Yin (appointed on 12 October 2012), fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the year ended 31 December 2012. His biography is set out in the "Brief Biography of Directors and Senior Management" section of this annual report.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a Special General Meeting (the "SGM")

The Board shall, on the requisition in writing of the shareholders of not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within twenty-one days of such deposit the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

8/F., Multifield House, 54 Wong Chuk Hang Road, Hong Kong
Email: contact@multifield.com.hk

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for putting forward proposals at shareholders' meeting

Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

CORPORATE GOVERNANCE REPORT

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's principal place of business in Hong Kong at 8/F., Multifield House, 54 Wong Chuk Hang Road, Hong Kong, for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year.

INVESTOR RELATIONS AND COMMUNICATION

The Company establishes different communication channels with shareholders and investors. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for shareholders of the Company to raise comments and exchange views with the Board; (iii) the Company replies to enquiries from shareholders timely; and (iv) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

In fact, the Company's annual general meeting (the "AGM") is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to ask questions about the Group's performance. A separate resolution is proposed for each substantially separate issue at the AGM.

INDEPENDENT AUDITORS' REPORT



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

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

Chartered Accountants
Certified Public Accountants

**To the shareholders of
Multifield International Holdings Limited**
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Multifield International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 24 to 94, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE 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 financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the 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.

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 profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Chartered Accountants
Certified Public Accountants
Hui Chun Keung, David
Practising Certificate Number: P05447

Hong Kong, 26 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
REVENUE	5	282,610	141,550
Cost of sales		<u>(35,429)</u>	<u>(47,536)</u>
Gross profit		247,181	94,014
Other income and gains	5	18,162	18,722
Fair value gains on investment properties		433,032	228,718
Loss on disposal of investment properties		(1,126)	(1,175)
Operating and administrative expenses		(56,171)	(93,998)
Finance costs	7	<u>(13,912)</u>	<u>(10,512)</u>
PROFIT BEFORE TAX	6	627,166	235,769
Income tax credit/(expense)	10	<u>2,883</u>	<u>(46,410)</u>
PROFIT FOR THE YEAR		<u>630,049</u>	<u>189,359</u>
OTHER COMPREHENSIVE INCOME			
Available-for-sale investments:			
Changes in fair value		53,278	(39,688)
Reclassification adjustments for gains included in the consolidated statement of comprehensive income – gain on disposal		<u>(619)</u>	<u>(991)</u>
Exchange differences on translation of foreign operations		<u>52,659</u>	<u>(40,679)</u>
		<u>67,203</u>	<u>91,022</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR		<u>119,862</u>	<u>50,343</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>749,911</u>	<u>239,702</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company	11	535,554	172,435
Non-controlling interests		<u>94,495</u>	<u>16,924</u>
		<u>630,049</u>	<u>189,359</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		614,391	209,785
Non-controlling interests		<u>135,520</u>	<u>29,917</u>
		<u>749,911</u>	<u>239,702</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted	13	<u>12.81 cents</u>	<u>4.12 cents</u>

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	297,496	308,835
Investment properties	16	5,249,190	4,751,367
Prepaid land lease payments	17	425	434
Club debenture		670	670
Available-for-sale investments	18	3,789	1,894
Total non-current assets		5,551,570	5,063,200
CURRENT ASSETS			
Properties held for sale	19	281,851	281,851
Trade receivables	20	7,144	7,889
Prepayments, deposits and other receivables	21	984	22,230
Available-for-sale investments	18	266,263	235,931
Equity investments at fair value through profit or loss	22	211,120	187,522
Pledged deposits	23	77,536	17,984
Cash and cash equivalents	23	206,874	154,430
Total current assets		1,051,772	907,837
TOTAL ASSETS		6,603,342	5,971,037
CURRENT LIABILITIES			
Trade payables	24	605	1,416
Other payables and accruals	25	271,289	258,248
Deposits received		55,605	52,423
Interest-bearing bank and other borrowings	26	922,023	1,002,751
Tax payable		26,340	25,508
Total current liabilities		1,275,862	1,340,346
NET CURRENT LIABILITIES		(224,090)	(432,509)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,327,480	4,630,691

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

31 December 2012

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Due to a director	27	2,454	5,435
Deferred tax liabilities	28	<u>607,008</u>	<u>615,926</u>
Total non-current liabilities		<u>609,462</u>	<u>621,361</u>
Net assets		<u>4,718,018</u>	<u>4,009,330</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	41,804	41,804
Reserves	31	3,569,085	2,998,587
Proposed final dividend	12	<u>27,172</u>	<u>20,902</u>
Non-controlling interests		<u>3,638,061</u>	<u>3,061,293</u>
		<u>1,079,957</u>	<u>948,037</u>
Total equity		<u>4,718,018</u>	<u>4,009,330</u>

Lau Chi Yung, Kenneth
Chairman

Lau Michael Kei Chi
Vice-Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Attributable to owners of the Company								Total equity HK\$'000
	Issued capital HK\$'000 (Note 29)	Share premium HK\$'000	Contributed surplus HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Non-controlling interests HK\$'000	
At 1 January 2011	41,804	39,116	293,372	10,480	476,117	2,009,431	27,172	961,143	3,858,635
Total comprehensive income for the year	-	-	-	(25,988)	63,338	172,435	-	29,917	239,702
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(43,023)	(43,023)
Final 2010 dividend declared	-	-	-	-	-	-	(27,172)	-	(27,172)
Interim 2011 dividend	-	-	-	-	-	(18,812)	-	-	(18,812)
Proposed final 2011 dividend	-	-	-	-	-	(20,902)	20,902	-	-
At 31 December 2011	<u>41,804</u>	<u>39,116*</u>	<u>293,372*</u>	<u>(15,508)*</u>	<u>539,455*</u>	<u>2,142,152*</u>	<u>20,902</u>	<u>948,037</u>	<u>4,009,330</u>
At 1 January 2012	41,804	39,116	293,372	(15,508)	539,455	2,142,152	20,902	948,037	4,009,330
Total comprehensive income for the year	-	-	-	33,961	44,876	535,554	-	135,520	749,911
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	(3,600)	(3,600)
Final 2011 dividend declared	-	-	-	-	-	-	(20,902)	-	(20,902)
Interim 2012 dividend	-	-	-	-	-	(16,721)	-	-	(16,721)
Proposed final 2012 dividend	-	-	-	-	-	(27,172)	27,172	-	-
At 31 December 2012	<u>41,804</u>	<u>39,116*</u>	<u>293,372*</u>	<u>18,453*</u>	<u>584,331*</u>	<u>2,633,813*</u>	<u>27,172</u>	<u>1,079,957</u>	<u>4,718,018</u>

* These reserve accounts comprise the consolidated reserves of approximately HK\$3,569,085,000 (2011: HK\$2,998,587,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
Net cash flows from operating activities	32	<u>208,195</u>	<u>104,280</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(882)	(1,252)
Purchases of investment properties		(257)	(248,511)
Purchases of available-for-sale investments		(1,895)	(213,947)
(Increase)/decrease in pledged deposits		(59,552)	62,870
Proceeds from disposal of items of property, plant and equipment		3,258	2,906
Proceeds from disposal of investment properties		4,476	8,555
Proceeds from disposal of available-for-sale investments		22,946	28,642
Interest received		2,588	3,365
Net cash flows used in investing activities		<u>(29,318)</u>	<u>(357,372)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New interest-bearing bank borrowings		100,000	242,660
Repayment of interest-bearing bank borrowings		(81,382)	(156,307)
Net change in short-term revolving loans		(99,346)	204,493
Decrease in amount due to a director		(2,981)	(9,386)
Dividends paid to non-controlling shareholders		(3,600)	(43,023)
Interest paid		(13,912)	(10,380)
Dividends paid		(37,623)	(45,984)
Net cash flows (used in)/from financing activities		<u>(138,844)</u>	<u>182,073</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		40,033	(71,019)
Cash and cash equivalents at beginning of year		154,430	221,040
Effect of foreign exchange rate changes, net		12,411	4,409
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>206,874</u>	<u>154,430</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	157,611	149,030
Non-pledged deposits with original maturity of less than three months when acquired	23	<u>49,263</u>	<u>5,400</u>
		<u>206,874</u>	<u>154,430</u>

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK\$'000	2011 HK\$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	14	<u>656,622</u>	<u>656,622</u>
CURRENT ASSETS			
Due from subsidiaries	14	378,056	363,527
Prepayments, deposits and other receivables		631	60
Cash and bank balances		<u>171</u>	<u>82</u>
Total current assets		<u>378,858</u>	<u>363,669</u>
TOTAL ASSETS		<u>1,035,480</u>	<u>1,020,291</u>
CURRENT LIABILITIES			
Due to subsidiaries	14	26,272	1,800
Other payables and accruals	25	<u>33</u>	<u>29</u>
Total current liabilities		<u>26,305</u>	<u>1,829</u>
NET CURRENT ASSETS		<u>352,553</u>	<u>361,840</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,009,175</u>	<u>1,018,462</u>
EQUITY			
Issued capital	29	41,804	41,804
Reserves	31	940,199	955,756
Proposed final dividend	12	<u>27,172</u>	<u>20,902</u>
Total equity		<u>1,009,175</u>	<u>1,018,462</u>

Lau Chi Yung, Kenneth
Chairman

Lau Michael Kei Chi
Vice-Chairman

NOTES TO FINANCIAL STATEMENTS

31 December 2012

1. CORPORATE INFORMATION

Multifield International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is situated at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda and the principal place of business of the Company is located at 8th Floor, Multifield House, 54 Wong Chuk Hang Road, Hong Kong. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the year, the Company and its subsidiaries were involved in the following principal activities:

- property investment;
- provision of serviced apartment and property management services; and
- trading of securities and investment holding.

In the opinion of the directors, the holding company of the Company is Lucky Speculator Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Power Resources Holdings Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars (HK\$) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

Going concern

The Group had net current liabilities of approximately HK\$224,090,000 at the end of the reporting period. Notwithstanding the above, the directors of the Company have prepared the financial statements on the going concern basis on the assumption that the Group will continue to operate as a going concern for the foreseeable future as Power Resources Holdings Limited has confirmed to provide necessary funds to the Group so as to enable the Group to discharge its obligations as and when they fall due.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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2.1 BASIS OF PREPARATION *(continued)***Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

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

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Subsidiaries**

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

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with *HKFRS 5* are stated at cost less any impairment losses.

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Impairment of non-financial assets** *(continued)*

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Property, plant and equipment and depreciation** *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5% or over the lease terms, if shorter
Leasehold improvements	Over the lease terms
Plant and machinery	10% – 20%
Furniture, fixtures and office equipment	20% – 33 $\frac{1}{3}$ %
Motor vehicles	20% – 33 $\frac{1}{3}$ %

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

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

Investment properties

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

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

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

Properties under development

Properties in the course of development are classified as non-current assets and are stated at cost less accumulated impairment loss. Cost comprises acquisition cost relating to the leasehold interests in lands and direct development costs attributable to such properties. Interests in lands are amortised over the expected useful life and are included as part of cost of properties under development.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Properties held for sale**

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, capitalised interest during the period of development and other direct costs attributable to such properties. Net realisable value is calculated as the estimated selling price less all costs to completion, if applicable, and costs of marketing and selling.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets*Initial recognition and measurement*

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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

The Group's financial assets include cash and bank balances, trade and other receivables, and quoted and unquoted financial instruments.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Investments and other financial assets** (continued)*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented in revenue in the statement of comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Investments and other financial assets** *(continued)**Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of comprehensive income in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of comprehensive income in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of comprehensive income as Revenue in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Impairment of financial assets**

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

Financial assets carried at amortised cost

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

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

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

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Impairment of financial assets** *(continued)**Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of comprehensive income, is removed from other comprehensive income and recognised in the statement of comprehensive income.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income – is removed from other comprehensive income and recognised in the statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of comprehensive income. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of comprehensive income. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of comprehensive income if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Derecognition of financial assets**

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

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

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

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

Financial liabilities*Initial recognition and measurement*

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, amount due to a director, and interest-bearing bank and other borrowings.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Financial liabilities** *(continued)**Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income. The net fair value gain or loss recognised in the statement of comprehensive income does not include any interest charged on these financial liabilities.

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Offsetting of financial instruments**

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

Fair value of financial instruments

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

Derivative financial instruments and hedge accounting*Initial recognition and subsequent measurement*

The Group uses derivative financial instruments, such as forward currency contract, to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains and losses arising from changes in fair value of derivatives are taken directly to the statement of comprehensive income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

None of the derivative financial instruments held by the Group qualifies for hedge accounting.

Cash and cash equivalents

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

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Provisions**

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

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

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Income tax** *(continued)*

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

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

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

Revenue recognition

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

- (a) interest income, on accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (b) dividend income, when the shareholders' right to receive payment has been established;
- (c) government grants, subsidies from the relevant People's Republic of China (the "PRC") government authorities, in the form of return of income tax, value added tax not associating with the purchase of property, plant and equipment and various taxes, as an incentive for the investments in various cities in the PRC are recognised in the consolidated statement of comprehensive income when relevant approval has been obtained;
- (d) rental income from property letting, in the period in which the properties are let and on a straight-line basis over the lease terms; and
- (e) income from the sale of equity investments and debt securities, on the trade date.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Employee benefits***Share-based payments*

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

The cost of equity-settled transactions with employees for grant after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate option pricing model.

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Employee benefits** *(continued)**Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group at the end of the reporting period.

Borrowing costs

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***Foreign currencies**

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates prevailing at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)***Judgements** *(continued)**Operating lease commitments – Group as lessor*

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

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Fair values of financial instruments

Financial instruments such as equity and debt instruments are carried at the statement of financial position at fair value. The best evidence of fair value is quoted prices in an active market, where quoted prices are not available for a particular financial instrument, the Group uses the market values determined by independent financial institutions or internal or external valuation models to estimate the fair value. The use of methodologies, models and assumptions in pricing and valuing these financial assets and liabilities is subjective and requires varying degrees of judgement by management, which may result in significantly different fair values and results.

Impairment of receivables

The Group's management determines the provision for impairment of receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the estimation at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)***Estimation uncertainty** *(continued)**Impairment of available-for-sale financial assets*

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the consolidated statement of comprehensive income. At 31 December 2012, the carrying amount of available-for-sale assets was approximately HK\$270,052,000 (2011: HK\$237,825,000). Further details are included in note 18 to the financial statements.

Estimation of fair value of investment properties

As described in note 16, the investment properties were revalued at the end of the reporting period on market value existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

Income tax

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account changes in tax legislation.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four (2011: four) reportable operating segments as follows:

- (a) the property investment segment mainly comprises rental income from investment properties;
- (b) the provision of serviced apartment and property management services segment;
- (c) the trading and investments segment includes the trading of securities and investment income from securities investment and investment holding; and
- (d) the corporate and others segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax from operations except that interest income from loans and receivables, fair value gains on investment properties, finance costs, and other gains are excluded from such measurement.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

4. OPERATING SEGMENT INFORMATION (continued)

Segment liabilities exclude interest-bearing bank and other borrowings, amount due to a director, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

There are no sales or other transactions between the operating segments during the year (2011: Nil).

Years ended 31 December 2012 and 2011

	Property investment		Provision of serviced apartment and property management services		Trading and investments		Corporate and others		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Segment revenue:										
Sales to external customers	187,356	173,015	22,615	20,386	72,639	(51,851)	-	-	282,610	141,550
Segment results	100,698	129,593	(23,470)	(15,977)	70,038	(52,907)	42,618	(61,868)	189,884	(1,159)
<i>Reconciliation:</i>										
Interest income from loans and receivables									2,588	3,365
Other gains									15,574	15,357
Fair value gains on investment properties	433,032	228,718	-	-	-	-	-	-	433,032	228,718
Finance costs									(13,912)	(10,512)
Profit before tax									627,166	235,769

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

4. OPERATING SEGMENT INFORMATION (continued)

Years ended 31 December 2012 and 2011

	Property investment		Provision of serviced apartment and property management services		Trading and investments		Corporate and others		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Segment assets	5,568,935	5,025,616	117,002	46,620	560,537	504,323	356,868	394,478	6,603,342	5,971,037
Total assets									6,603,342	5,971,037
Segment liabilities	177,082	80,114	7,781	17,277	86	77,963	7,158	12,855	192,107	188,209
<i>Reconciliation:</i> Unallocated liabilities									1,693,217	1,773,498
Total liabilities									1,885,324	1,961,707
Other segment information:										
Depreciation and amortisation	1,385	2,027	747	1,072	-	-	484	953	2,616	4,052
Changes in fair value of investment properties	433,032	228,718	-	-	-	-	-	-	433,032	228,718
Impairment loss recognised in the statement of comprehensive income	13,210	47,279	3	-	-	-	-	-	13,213	47,279
Capital expenditure*	4,680	325,452	43	338	-	-	-	-	4,723	325,790

* Capital expenditure consists of additions to property, plant and equipment, and investment properties.

Geographical information

(a)	Hong Kong		Mainland China		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue from sales to external customers	122,183	(13,713)	160,427	155,263	282,610	141,550

The revenue information above is based on the location of the customers. No customer accounted for 10% or more of the total revenue for the years ended 31 December 2012 and 2011.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b)	Hong Kong		Mainland China		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Non-current assets	1,670,107	3,919,473	3,877,004	1,141,163	5,547,111	5,060,636

The non-current asset information above is based on the location of assets and excludes financial instruments.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2012 HK\$'000	2011 HK\$'000
Revenue		
Rental income from property letting	187,356	173,015
Serviced apartment and property management	22,615	20,386
Fair value gains/(losses), net:		
Equity investments at fair value through profit or loss	39,090	(78,390)
Derivative financial instruments	–	3,139
Dividend income from listed investments	8,517	6,199
Interest income from available-for-sale investments	25,032	17,201
	282,610	141,550
Other income and gains		
Interest income from loans and receivables	2,588	3,365
Gain on disposal of items of property, plant and equipment	2,904	2,899
Fair value gains on available-for-sale investments (transfer from equity on disposal)	619	991
Others	12,051	11,467
	18,162	18,722

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2012 HK\$'000	2011 HK\$'000
Cost of services provided	35,429	47,536
Depreciation	2,607	4,045
Amortisation of prepaid land lease payments	9	7
Minimum lease payments under operating leases for land and buildings	173	162
Auditors' remuneration	650	650
Impairment of trade receivables*	3	12
Impairment loss recognised in respect of property, plant and equipment*	13,210	47,267
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	14,970	20,034
Foreign exchange differences, net	<u>8,537</u>	<u>7,925</u>
Employee benefits expense (including directors' and chief executive's remuneration (Note 8)):		
Salaries, wages and other benefits	19,068	18,192
Pension scheme contributions (defined contribution scheme) (Note)	<u>210</u>	<u>202</u>
	<u>19,278</u>	<u>18,394</u>

* Included in "Operating and administrative expenses" on the face of the consolidated statement of comprehensive income.

Note:

At 31 December 2012, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2011: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2012 HK\$'000	2011 HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	<u>13,912</u>	<u>10,512</u>

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Group	
	2012	2011
	HK\$'000	HK\$'000
Fees	<u>552</u>	<u>480</u>
Other emoluments:		
Salaries, allowances and benefits in kind	4,550	4,238
Pension scheme contributions	<u>28</u>	<u>24</u>
	<u>4,578</u>	<u>4,262</u>
	<u>5,130</u>	<u>4,742</u>

(a) Independent non-executive directors

The fees paid to the independent non-executive directors during the year were as follows:

	2012	2011
	HK\$'000	HK\$'000
Mr. Lee Siu Man, Ervin	138	120
Mr. Wong Yim Sum	138	120
Mr. Lo Yick Wing	138	120
Mr. Tsui Ka Wah	<u>138</u>	<u>120</u>
	<u>552</u>	<u>480</u>

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive

	Fees		Salaries, allowances and benefits in kind		Pension scheme contributions		Total remuneration	
	2012	2011	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Lau Chi Yung, Kenneth	–	–	2,600	2,444	14	12	2,614	2,456
Mr. Lau Michael Kei Chi (chief executive)	–	–	1,950	1,794	14	12	1,964	1,806
	–	–	4,550	4,238	28	24	4,578	4,262

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2011: two) directors, of which one is the chief executive, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2011: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Salaries, allowances and benefits in kind	1,303	1,526
Pension scheme contributions	39	36
	1,342	1,562

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2012	2011
Nil to HK\$1,000,000	3	3

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax – Hong Kong		
Charge for the year	2,131	1,548
Overprovision in prior years	–	(2,618)
Current tax – Mainland China		
Charge for the year	14,567	14,696
Deferred tax (<i>Note 28</i>)	(19,581)	32,784
Total tax (credit)/charge for the year	(2,883)	46,410

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

10. INCOME TAX (continued)

A reconciliation of the tax (credit)/expense applicable to profit before tax at the applicable rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

Group – 2012

	Hong Kong HK\$'000	Elsewhere in the PRC HK\$'000	Total HK\$'000
Profit before tax	<u>598,366</u>	<u>28,800</u>	<u>627,166</u>
Tax at the applicable tax rate	98,573	7,200	105,773
Lower tax rate for specific provinces or enacted by local authority	–	(2,183)	(2,183)
Income not subject to tax	(96,363)	(14,342)	(110,705)
Expenses not deductible for tax	1,426	23,892	25,318
Tax losses not recognised	1,968	–	1,968
Tax losses utilised from prior years	(1,528)	–	(1,528)
Effect of PRC land appreciation tax	–	(21,393)	(21,393)
Others	(133)	–	(133)
Tax charge/(credit) at the Group's effective rate	<u>3,943</u>	<u>(6,826)</u>	<u>(2,883)</u>

Group – 2011

	Hong Kong HK\$'000	Elsewhere in the PRC HK\$'000	Total HK\$'000
Profit before tax	<u>82,226</u>	<u>153,543</u>	<u>235,769</u>
Tax at the applicable tax rate	8,869	38,386	47,255
Adjustments in respect of current tax of prior years	(2,618)	–	(2,618)
Lower tax rate for specific provinces or enacted by local authority	–	(22,271)	(22,271)
Income not subject to tax	(35,111)	(32,763)	(67,874)
Expenses not deductible for tax	6,226	31,341	37,567
Tax losses not recognised	24,501	–	24,501
Tax losses utilised from prior years	(430)	–	(430)
Effect of PRC land appreciation tax	–	31,023	31,023
Others	(743)	–	(743)
Tax charge at the Group's effective rate	<u>694</u>	<u>45,716</u>	<u>46,410</u>

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2012 includes a profit of approximately HK\$28,336,000 (2011: HK\$149,895,000) which has been dealt with in the financial statements of the Company (*Note 31(b)*).

12. DIVIDENDS

	2012 HK\$'000	2011 HK\$'000
Interim dividend – HK0.4 cents (2011: HK0.45 cents) per ordinary share	16,721	18,812
Proposed final dividend – HK0.65 cents (2011: HK0.5 cents) per ordinary share	<u>27,172</u>	<u>20,902</u>
	<u>43,893</u>	<u>39,714</u>

The proposed final dividend for the year ended 31 December 2012 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of approximately HK\$535,554,000 (2011: HK\$172,435,000) and the weighted average number of ordinary shares of 4,180,371,092 (2011: 4,180,371,092) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012 HK\$'000	2011 HK\$'000
Unlisted shares, at cost	<u>656,622</u>	<u>656,622</u>

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

14. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Call Rich Investments Limited	British Virgin Islands	US\$50,000	60.33 <i>(Note (ii))</i>	Investment holding
Charter Million Investment Limited	Hong Kong/ PRC	HK\$2	63.06	Property investment
Conrad Shipping Limited	Hong Kong	HK\$1	100	Property investment
Ever Ford Development Limited	Hong Kong/ PRC	HK\$10,000	62.02 <i>(Note (iv))</i>	Property investment
Fexlink Limited	Hong Kong	HK\$100	100	Property investment
Forever Richland Limited	British Virgin Islands	US\$50,000	75	Investment holding
Fortune Text Holdings Limited	Hong Kong/ PRC	HK\$2	63.06	Property investment
Gain Power Consultants Limited	Hong Kong	HK\$1	62.02 <i>(Note (iv))</i>	Property investment
Godfrey Investments Limited	British Virgin Islands	US\$1	100	Investment holding
Good Connection Investments Limited	British Virgin Islands/ PRC	US\$50,000	46.2 <i>(Notes (i) & (iii))</i>	Property investment
Goodrich Properties Limited	Hong Kong	HK\$10,000	100	Property investment
Grandfield Nominees Limited	Hong Kong	HK\$1,000,000	100	Property investment

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

14. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Head Wonder International Limited	British Virgin Islands	US\$10,000	63.06	Investment holding
Kiuson Development Limited	Hong Kong	HK\$100	46.2 (Notes (i) & (iii))	Investment holding
Kiuson Development (Shanghai) Ltd. (Note (v))	PRC	US\$10,000,000	100	Property investment
Lau & Partners Consultants Limited	Hong Kong/ PRC	HK\$10,000	100	Property investment
Limitless Investment Limited	British Virgin Islands	US\$2	100	Investment holding
Linkful (Holdings) Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$20,000,000	61.21	Investment holding
Linkful (PRC) Investments Limited	Hong Kong	HK\$2	61.21	Investment holding
Linkful Management Services Limited	Hong Kong	HK\$2	61.21	Provision of management services
Linkful Properties Company Limited	Hong Kong/ PRC	HK\$2	61.21	Investment holding and property investment

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

14. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration/ and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Linkful Strategic Investment Limited	British Virgin Islands	US\$1	61.21	Investment holding
Lucky River Limited	British Virgin Islands	US\$1	100	Investment holding
Mark Rich Limited	Hong Kong	HK\$10,000	62.02 (Note (iv))	Property investment
Maxlord Limited	Hong Kong	HK\$10,000	100	Property investment
Multifield (Holdings) Limited	Hong Kong	HK\$1,000,000	100	Investment holding, provision of management services and agency services
Multifield Hotel Serviced Apartment Management (Shanghai) Ltd. (Note (v))	PRC	US\$200,000	100	Provision of property management and administration services
Multifield International Hotel Management Limited	Hong Kong	HK\$10,000	100	Investment holding
Multifield Investment (HK) Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Investment (PRC) Limited	British Virgin Islands	US\$1	100	Investment holding

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

14. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Multifield Management Services Limited	British Virgin Islands	US\$2	100	Investment holding
Multifield Properties Holdings Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Properties Limited	Hong Kong	HK\$9,000	100	Investment holding and property investment
Multifield Property Agency Limited	Hong Kong	HK\$2	100	Property investment
Multifield Property Management Limited	Hong Kong	HK\$2	100	Provision of property management services
Multifield International Holdings (B.V.I.) Limited	British Virgin Islands	US\$40	100	Investment holding
New Luck Management Limited	Hong Kong	HK\$1	62.02 (Note (iv))	Property investment
Nichiyu Consultants Limited	British Virgin Islands	US\$2	100	Investment holding
Oriental Explorer Holdings Limited	Bermuda	HK\$18,000,000	61.21	Investment holding
Power Earning Limited	Hong Kong	HK\$1	61.21	Property investment
Prince Properties Limited	Hong Kong	HK\$10,000	100	Investment holding
Quick Profits Limited	British Virgin Islands	US\$2	100	Investment holding
Quick Returns Group Limited	British Virgin Islands	US\$1	100	Investment holding
Rich Returns Limited	British Virgin Islands	US\$100	62.02 (Note (iv))	Investment holding

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

14. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Richwell Properties Limited	Hong Kong	Ordinary HK\$110,000 Non-voting deferred HK\$10,000	100	Property investment
Silver Nominees Limited	Hong Kong	HK\$2	100	Property investment
Sino Yield Investments Limited	British Virgin Islands	US\$3	66.7	Investment holding
Snowdon Worldwide Limited	British Virgin Islands	US\$1	61.21	Investment holding
Tellink Development Limited	Hong Kong/ PRC	HK\$100	100	Property investment
Triple Luck Investments Limited	British Virgin Islands	US\$50,000	100	Investment holding
Verywell Properties Limited	British Virgin Islands/ Hong Kong	US\$1	100	Property investment
Win Channel Enterprises Limited	Hong Kong	HK\$2	66.7	Property investment
Windsor Property Management (Shanghai) Co., Ltd. (Note (v))	PRC	US\$200,000	100	Provision of property management services
Windsor Renaissance Hotel Property Management (Shanghai) Ltd. (Note (v))	PRC	US\$140,000	100	Provision of property management services

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

14. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Winner Strong Limited	Hong Kong	HK\$100	100	Property investment
Wise Chance Limited	Hong Kong	HK\$100	100	Property investment
Wise Success Limited	Hong Kong	HK\$100	100	Property investment
珠海市世紀西海房地產 投資有限公司 (Note (vi))	PRC	RMB10,000,000	100	Property development
珠海萬事昌酒店有限公司 (Note (v))	PRC	US\$20,000,000	100	Property development
珠海市港豐商務 服務有限公司 (Note (v))	PRC	HK\$120,000	100	Provision of property consultant services

Except for Multifield International Holdings (B.V.I.) Limited, all subsidiaries are indirectly held by the Company.

Notes:

- (i) These companies are subsidiaries of non wholly-owned subsidiaries of the Company and accordingly are accounted for as subsidiaries by virtue of the Company's control over the entities.
- (ii) The Group holds a direct equity interest of 45% in this subsidiary, and an indirect equity interest of 15.33% by virtue of the Group's 61.21% interest in Oriental Explorer Holdings Limited, which holds a 25.04% equity interest in this subsidiary.
- (iii) The Group holds a direct equity interest of 37% in these subsidiaries, and an indirect equity interest of 9.20% by virtue of the Group's 61.21% interest in Oriental Explorer Holdings Limited, which holds 15.02% equity interest in these subsidiaries.
- (iv) The Group holds a direct equity interest of 51% in these subsidiaries, and an indirect equity interest of 11.02% by virtue of the Group's 61.21% interest in Oriental Explorer Holdings Limited, which holds 18% equity interest in these subsidiaries.
- (v) These subsidiaries are registered as wholly-foreign owned enterprises under the PRC law.
- (vi) This subsidiary is a limited liability company established in the PRC.

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

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Properties under development <i>HK\$'000</i>	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2012							
At 31 December 2011 and at 1 January 2012							
Cost	349,969	746	2,619	26,112	17,417	752	397,615
Accumulated depreciation and impairment	<u>(47,267)</u>	<u>(596)</u>	<u>(2,619)</u>	<u>(23,773)</u>	<u>(13,773)</u>	<u>(752)</u>	<u>(88,780)</u>
Net carrying amount	<u>302,702</u>	<u>150</u>	<u>-</u>	<u>2,339</u>	<u>3,644</u>	<u>-</u>	<u>308,835</u>
At 1 January 2012, net of accumulated depreciation and impairment	302,702	150	-	2,339	3,644	-	308,835
Additions	73	-	-	485	324	-	882
Depreciation provided during the year	-	(38)	-	(1,252)	(1,317)	-	(2,607)
Impairment	(13,210)	-	-	-	-	-	(13,210)
Disposals	-	-	-	(354)	-	-	(354)
Exchange realignment	<u>3,910</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>21</u>	<u>-</u>	<u>3,950</u>
At 31 December 2012, net of accumulated depreciation and impairment	<u>293,475</u>	<u>112</u>	<u>-</u>	<u>1,237</u>	<u>2,672</u>	<u>-</u>	<u>297,496</u>
At 31 December 2012							
Cost	353,952	746	2,624	23,759	17,823	-	398,904
Accumulated depreciation and impairment	<u>(60,477)</u>	<u>(634)</u>	<u>(2,624)</u>	<u>(22,522)</u>	<u>(15,151)</u>	<u>-</u>	<u>(101,408)</u>
Net carrying amount	<u>293,475</u>	<u>112</u>	<u>-</u>	<u>1,237</u>	<u>2,672</u>	<u>-</u>	<u>297,496</u>

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Properties under development HK\$'000	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
31 December 2011							
At 1 January 2011							
Cost	344,969	746	2,729	27,820	16,648	752	393,664
Accumulated depreciation	—	(559)	(2,729)	(24,349)	(11,420)	(752)	(39,809)
Net carrying amount	<u>344,969</u>	<u>187</u>	<u>—</u>	<u>3,471</u>	<u>5,228</u>	<u>—</u>	<u>353,855</u>
At 1 January 2011, net of accumulated depreciation							
Additions	—	—	—	579	673	—	1,252
Depreciation provided during the year	—	(37)	—	(1,724)	(2,284)	—	(4,045)
Impairment	(47,267)	—	—	—	—	—	(47,267)
Disposals	—	—	—	(7)	—	—	(7)
Exchange realignment	<u>5,000</u>	<u>—</u>	<u>—</u>	<u>20</u>	<u>27</u>	<u>—</u>	<u>5,047</u>
At 31 December 2011, net of accumulated depreciation and impairment							
	<u>302,702</u>	<u>150</u>	<u>—</u>	<u>2,339</u>	<u>3,644</u>	<u>—</u>	<u>308,835</u>
At 31 December 2011							
Cost	349,969	746	2,619	26,112	17,417	752	397,615
Accumulated depreciation and impairment	<u>(47,267)</u>	<u>(596)</u>	<u>(2,619)</u>	<u>(23,773)</u>	<u>(13,773)</u>	<u>(752)</u>	<u>(88,780)</u>
Net carrying amount	<u>302,702</u>	<u>150</u>	<u>—</u>	<u>2,339</u>	<u>3,644</u>	<u>—</u>	<u>308,835</u>

Note: Included in properties under development are interests in two pieces of land situated in the PRC and are held under medium term leases.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

15. PROPERTY, PLANT AND EQUIPMENT (continued)**Impairment loss**

At the end of the reporting period, the Group tests whether the carrying values of properties under development have suffered any impairment in accordance with the accounting policy on impairment of non-financial assets (Note 2.4). The Group assessed the recoverable amounts of two pieces of land classified as properties under development and as a result their carrying amounts were written down by approximately HK\$13,210,000 (2011: HK\$47,267,000 included in "Operating and administrative expenses") at 31 December 2012. The estimates of recoverable amounts were based on the assets' fair values less costs to sell, determined by reference to a professional valuation performed by Roma Appraisals Limited, an independent firm of professional qualified valuers.

16. INVESTMENT PROPERTIES

	Group	
	2012	2011
	HK\$'000	HK\$'000
Carrying amount at 1 January	4,751,367	4,125,200
Additions	3,841	324,538
Disposals	(5,602)	(9,730)
Fair value gains	433,032	228,718
Exchange realignment	66,552	82,641
	<u>5,249,190</u>	<u>4,751,367</u>
Carrying amount at 31 December	5,249,190	4,751,367

The Group's investment properties are situated in Hong Kong and in the PRC and are held under the following lease terms:

	Hong Kong	Elsewhere in the PRC	Total
	HK\$'000	HK\$'000	HK\$'000
Long term leases	721,845	3,581,290	4,303,135
Medium term leases	946,055	–	946,055
	<u>1,667,900</u>	<u>3,581,290</u>	<u>5,249,190</u>

The Group's investment properties were revalued on 31 December 2012 by Roma Appraisals Limited, an independent firm of professionally qualified valuers, on an open market value, existing use basis.

The investment properties held by the Group are leased to third parties under operating leases, further summary details of which are included in note 34 to the financial statements.

At 31 December 2012, certain of the Group's investment properties with an aggregate carrying amount of approximately HK\$3,813,150,000 (2011: HK\$3,320,500,000) were pledged to secure general banking facilities granted to the Group (Note 26).

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2012 HK\$'000	2011 HK\$'000
Carrying amount at 1 January	434	441
Recognised during the year	(9)	(7)
	<hr/>	<hr/>
Carrying amount at 31 December	425	434
	<hr/> <hr/>	<hr/> <hr/>

The leasehold land is held under a long term lease and is situated in the PRC.

18. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2012 HK\$'000	2011 HK\$'000
Non-current assets		
Unlisted equity investments, at cost	11,589	9,694
Provision for impairment	(7,800)	(7,800)
	<hr/>	<hr/>
	3,789	1,894
	<hr/>	<hr/>
Current assets		
Listed debt investments, at fair value	266,263	235,931
	<hr/>	<hr/>
	270,052	237,825
	<hr/> <hr/>	<hr/> <hr/>

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to approximately HK\$52,659,000 (2011: gross loss HK\$40,679,000), of which approximately HK\$619,000 (2011: HK\$991,000) was reclassified from equity to the consolidated statement of comprehensive income for the year.

At 31 December 2012, the Group's listed debt investments with a carrying value of approximately HK\$234,529,000 (2011: HK\$225,375,000) were pledged as a security for the Group's short term loans, as further detailed in note 26 to the financial statements.

The Group's unlisted equity investments with a carrying amount of approximately HK\$3,789,000 (2011: HK\$1,894,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

19. PROPERTIES HELD FOR SALE

The properties held for sale are stated at the lower of cost and net realisable value, and are held under medium term leases in Hong Kong.

20. TRADE RECEIVABLES

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	12,930	13,744
Provision for impairment	(5,786)	(5,855)
	7,144	7,889

For the Group's property rental business, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amount ranging from two to three months' rentals in order to secure any default in their rental payments. The Group does not hold any collateral or other credit enhancements over its trade receivables balances.

An aged analysis of trade receivables at the end of the reporting period, based on the invoice dates and net of provisions, is as follows:

	Group	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	1,445	2,327
1 to 2 months	252	759
2 to 3 months	333	–
Over 3 months	5,114	4,803
	7,144	7,889

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

20. TRADE RECEIVABLES (continued)

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2012	2011
	HK\$'000	HK\$'000
At 1 January	5,855	5,843
Impairment losses recognised (Note 6)	3	12
Amount written off as uncollectible	(72)	–
	<hr/>	<hr/>
At 31 December	5,786	5,855
	<hr/> <hr/>	<hr/> <hr/>

At 31 December 2012, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately HK\$5,786,000 (2011: HK\$5,855,000) with a carrying amount before provision of approximately HK\$5,786,000 (2011: HK\$5,855,000). The individually impaired trade receivables relate to customers that were in default of payments.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2012	2011
	HK\$'000	HK\$'000
Neither past due nor impaired	1,445	3,085
Less than 1 month past due	252	69
1 to 3 months past due	389	10
Over 3 months past due	5,058	4,725
	<hr/>	<hr/>
	7,144	7,889
	<hr/> <hr/>	<hr/> <hr/>

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

Receivables that were past due but not impaired relate to a number of independent customers. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At 31 December 2011, included in the Group's prepayments, deposits and other receivables were deposits paid for acquisition of investment properties of approximately HK\$3,584,000.

None of the prepayments, deposits and other receivables is either past due or impaired. The financial assets included in the prepayments, deposits and other receivables relate to receivables for which there was no recent history of default.

22. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012 HK\$'000	2011 HK\$'000
Listed equity investments, at market value		
Hong Kong	180,562	164,965
Elsewhere	30,558	22,557
	<u>211,120</u>	<u>187,522</u>

The above equity investments at 31 December 2012 and 2011 were classified as held for trading. At 31 December 2012, the Group's certain listed equity investments with an aggregate carrying amount of approximately HK\$190,088,000 (2011: HK\$82,828,000) were pledged to secure the Group's short term loans, as further detailed in note 26 to the financial statements.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group	
	2012 HK\$'000	2011 HK\$'000
Cash and bank balances	157,611	149,030
Time deposits	126,799	23,384
	<u>284,410</u>	172,414
Less: Pledged deposits	(77,536)	(17,984)
Cash and cash equivalents	<u>206,874</u>	<u>154,430</u>

The deposits of approximately HK\$77,536,000 (2011: HK\$17,984,000) were pledged as security for banking facilities granted.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(continued)*

At the end of the reporting period, the cash and bank balances and pledged deposits of the Group denominated in Renminbi (“RMB”) amounted to approximately HK\$120,363,000 (2011: HK\$41,720,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

24. TRADE PAYABLES

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

	Group	
	2012	2011
	HK\$'000	HK\$'000
Within 1 month	227	538
1 to 2 months	56	101
2 to 3 months	40	38
Over 3 months	282	739
	605	1,416

Trade payables are non-interest-bearing and are normally settled on 60-day terms.

25. OTHER PAYABLES AND ACCRUALS

Other payables are non-interest-bearing and repayable on demand.

Included in the Group’s other payables and accruals at 31 December 2012 is deferred consideration payable of approximately HK\$82,247,000 (2011: HK\$83,766,000) in respect of acquisition of a subsidiary.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group					
	2012			2011		
	Contractual interest rate (%)	Maturity	HK\$'000	Contractual interest rate (%)	Maturity	HK\$'000
Current liabilities						
Secured bank loans denominated in Hong Kong dollar	HIBOR plus a range of 0.65 to 2	2013- 2021	740,702	HIBOR plus a range of 0.6 to 1.5	2012- 2021	722,084
Secured short term loans denominated in Euro	-	-	-	1.23 to 1.99	2012	6,004
Secured short term loans denominated in Japanese Yen	1.24	2013	23,365	1.1	2012	29,292
Secured short term loans denominated in United States dollar	1.29	2013	157,956	1.07 to 1.19	2012	245,371
			<u>922,023</u>			<u>1,002,751</u>

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

26. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The scheduled principal repayment dates of the Group with reference to the loan agreements and ignore the effect of any repayment on demand clause are as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
Analysed into:		
Bank loans repayable:		
Within one year	86,095	471,555
In the second year	114,245	56,228
In the third to fifth years, inclusive	208,740	152,435
Beyond five years	331,622	41,866
	740,702	722,084
Other borrowings repayable within one year	181,321	280,667
	922,023	1,002,751

The Group's bank loans are secured by:

- (i) mortgages over the Group's certain investment properties situated in Hong Kong and Mainland China, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$3,813,150,000 (2011: HK\$3,320,500,000);
- (ii) personal guarantees given by certain directors of the Company and its subsidiaries; and
- (iii) corporate guarantees issued by the Company.

At 31 December 2012, the Group's short term loans with investment banks are secured by certain cash deposits and investments with an aggregate carrying amount of approximately HK\$502,153,000 (2011: HK\$326,187,000).

27. DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and is not repayable within one year.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

28. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

Group

	Depreciation allowance in excess of related depreciation HK\$'000	Revaluation of properties HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2012	9,470	572,410	34,046	615,926
Deferred tax charged/(credited) to the statement of comprehensive income during the year (Note 10)	1,812	(21,393)	–	(19,581)
Exchange realignment	–	10,663	–	10,663
At 31 December 2012	11,282	561,680	34,046	607,008
At 1 January 2011	7,709	541,387	34,046	583,142
Deferred tax charged to the statement of comprehensive income during the year (Note 10)	1,761	31,023	–	32,784
At 31 December 2011	9,470	572,410	34,046	615,926

The Group has tax losses arising in Hong Kong of approximately HK\$190,851,000 (2011: HK\$188,966,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

At 31 December 2012, there was no significant unrecognised deferred tax liability (2011: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

29. SHARE CAPITAL

Shares

	Number of shares		Value	
	2012	2011	2012 HK\$'000	2011 HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>50,000,000,000</u>	50,000,000,000	<u>500,000</u>	500,000
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>4,180,371,092</u>	4,180,371,092	<u>41,804</u>	41,804

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, other employees, adviser, consultant, agent, contractor, client or customer, or supplier of any member of the Group. The Scheme became effective on 27 June 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of securities available for issue under the Scheme is 400,052,632 which is equivalent to 10% of the issued share capital of the Company at the date of adoption of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's share at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 5 days from the date of the offer upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

30. SHARE OPTION SCHEME (continued)

The exercise price of the share options is determinable by the board of directors, but may not be less than the higher of (i) the nominal value of the shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options have been granted, exercised, lapsed or cancelled since the establishment of the Scheme.

31. RESERVES**(a) Group**

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

(b) Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2011	39,116	802,254	4,205	845,575
Total comprehensive income for the year	–	–	149,895	149,895
Interim 2011 dividend	–	–	(18,812)	(18,812)
Proposed final 2011 dividend	–	–	(20,902)	(20,902)
At 31 December 2011 and 1 January 2012	39,116	802,254	114,386	955,756
Total comprehensive income for the year	–	–	28,336	28,336
Interim 2012 dividend	–	–	(16,721)	(16,721)
Proposed final 2012 dividend	–	–	(27,172)	(27,172)
At 31 December 2012	39,116	802,254	98,829	940,199

The contributed surplus of the Company originally arose as a result of the Group reorganisation in preparation for the public listing of the Company's shares and warrants on the Stock Exchange in 1998 and represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange therefor. Under the Companies Act of Bermuda, the contributed surplus may be distributed to the Company's shareholders under certain circumstances.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to net cash inflow from operating activities:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit before tax	627,166	235,769
Adjustments for:		
Finance costs	13,912	10,512
Changes in fair value of investment properties	(433,032)	(228,718)
Interest income	(27,620)	(20,566)
Dividend income from listed investments	(8,517)	(6,199)
Depreciation	2,607	4,045
Recognition of prepaid land lease payments	9	7
Fair value (gains)/losses, net:		
Equity investments at fair value through profit or loss	(39,090)	78,390
Derivative financial instruments	–	(3,139)
Impairment of trade receivables	3	12
Impairment loss recognised in respect of property, plant and equipment	13,210	47,267
Gain on disposal of items of property, plant and equipment	(2,904)	(2,899)
Fair value gains on available-for-sale investments (transfer from equity on disposal)	(619)	(991)
Loss on disposal of investment properties	1,126	1,175
PRC indirect taxes	39,168	49,118
	185,419	163,783
Decrease/(increase) in trade receivables	742	(1,031)
Decrease/(increase) in prepayments, deposits and other receivables	17,806	(16,252)
Decrease/(increase) in equity investments at fair value through profit or loss	15,492	(28,204)
Decrease in trade payables	(811)	(164)
(Decrease)/increase in other payables and accruals	(1,578)	3,283
Increase in deposits received	3,182	4,169
Cash generated from operations	220,252	125,584
Interest received	25,032	17,157
Dividend received from listed investments	8,517	6,199
Hong Kong profits tax paid	(1,928)	(1,442)
PRC taxes paid	(43,678)	(43,218)
Net cash flows from operating activities	208,195	104,280

33. CORPORATE GUARANTEES

At 31 December 2012, the Company has given corporate guarantees in favour of banks for banking facilities granted to its subsidiaries to the extent of approximately HK\$801,426,000 (2011: HK\$648,426,000), of which approximately HK\$512,614,000 (2011: HK\$575,758,000) was utilised. In the opinion of the directors, no material liabilities will arise from the above corporate guarantees which arose in the ordinary course of business of the Group and the fair values of the corporate guarantees granted by the Company are immaterial.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

34. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

The Group leases its investment properties and properties held for sale (Notes 16 and 19 to the financial statements, respectively) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of these leases generally require the tenants to pay security deposits.

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

	Group	
	2012	2011
	HK\$'000	HK\$'000
Within one year	139,640	139,619
In the second to fifth years, inclusive	60,232	61,978
	199,872	201,597

(b) As lessee

The Group leases its office premise under operating lease arrangements. Lease for such property is negotiated for term of three years.

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

	Group	
	2012	2011
	HK\$'000	HK\$'000
Within one year	263	–
In the second to fifth years, inclusive	504	–
	767	–

35. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	Group	
	2012	2011
	HK\$'000	HK\$'000
Short term employee benefits	6,188	6,244
Post-employment benefits	77	60
Total compensation paid to key management personnel	6,265	6,304

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

2012**Financial assets**

	Group			Total <i>HK\$'000</i>
	Financial assets at fair value through profit or loss – held for trading <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	
Available-for-sale investments	–	–	270,052	270,052
Trade receivables	–	7,144	–	7,144
Financial assets included in prepayments, deposits and other receivables	–	984	–	984
Equity investments at fair value through profit or loss	211,120	–	–	211,120
Pledged deposits	–	77,536	–	77,536
Cash and cash equivalents	–	206,874	–	206,874
	<u>211,120</u>	<u>292,538</u>	<u>270,052</u>	<u>773,710</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Trade payables	605
Financial liabilities included in other payables and accruals	135,636
Deposits received	55,605
Interest-bearing bank and other borrowings	922,023
Due to a director	<u>2,454</u>
	<u>1,116,323</u>

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: (continued)

2011

Financial assets

	Group			Total <i>HK\$'000</i>
	Financial assets at fair value through profit or loss – held for trading <i>HK\$'000</i>	Loans and receivables <i>HK\$'000</i>	Available- for-sale financial assets <i>HK\$'000</i>	
Available-for-sale investments	–	–	237,825	237,825
Trade receivables	–	7,889	–	7,889
Financial assets included in prepayments, deposits and other receivables	–	21,043	–	21,043
Equity investments at fair value through profit or loss	187,522	–	–	187,522
Pledged deposits	–	17,984	–	17,984
Cash and cash equivalents	–	154,430	–	154,430
	<u>187,522</u>	<u>201,346</u>	<u>237,825</u>	<u>626,693</u>

Financial liabilities

	Financial liabilities at amortised cost <i>HK\$'000</i>
Trade payables	1,416
Financial liabilities included in other payables and accruals	123,325
Deposits received	52,423
Interest-bearing bank and other borrowings	1,002,751
Due to a director	<u>5,435</u>
	<u>1,185,350</u>

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: (continued)

	Company	
Financial assets		
	2012	2011
	Loans and	Loans and
	receivables	receivables
	HK\$'000	HK\$'000
Due from subsidiaries	378,056	363,527
Cash and cash equivalents	<u>171</u>	<u>82</u>
	<u>378,227</u>	<u>363,609</u>
Financial liabilities		
	2012	2011
	Financial	Financial
	liabilities at	liabilities at
	amortised cost	amortised cost
	HK\$'000	HK\$'000
Due to subsidiaries	26,272	1,800
Financial liabilities included in other payables and accruals	<u>33</u>	<u>29</u>
	<u>26,305</u>	<u>1,829</u>

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

37. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Financial assets				
Available-for-sale investments	270,052	237,825	270,052	237,825
Trade receivables	7,144	7,889	7,144	7,889
Financial assets included in prepayments, deposits and other receivables	984	21,043	984	21,043
Equity investments at fair value through profit or loss	211,120	187,522	211,120	187,522
Pledged deposits	77,536	17,984	77,536	17,984
Cash and cash equivalents	206,874	154,430	206,874	154,430
	773,710	626,693	773,710	626,693
Financial liabilities				
Trade payables	605	1,416	605	1,416
Financial liabilities included in other payables and accruals	135,636	123,325	135,636	123,325
Deposits received	55,605	52,423	55,605	52,423
Interest-bearing bank and other borrowings	922,023	1,002,751	922,023	1,002,751
Due to a director	2,454	5,435	2,454	5,435
	1,116,323	1,185,350	1,116,323	1,185,350

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

37. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Company

	Carrying amounts		Fair values	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Financial assets				
Due from subsidiaries	378,056	363,527	378,056	363,527
Cash and cash equivalents	171	82	171	82
	378,227	363,609	378,227	363,609
Financial liabilities				
Due to subsidiaries	26,272	1,800	26,272	1,800
Financial liabilities included in other payables and accruals	33	29	33	29
	26,305	1,829	26,305	1,829

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, deposits received, interest-bearing bank and other borrowings, and amount due to a director approximate to their carrying amounts largely due to the short term maturities of these instruments. The fair values of listed equity investments are based on quoted market prices.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

37. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)*Assets measured at fair value:***Group****At 31 December 2012**

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Available-for-sale investments:				
Debt investments	–	266,263	–	266,263
Equity investments at fair value through profit or loss	<u>211,120</u>	<u>–</u>	<u>–</u>	<u>211,120</u>
	<u>211,120</u>	<u>266,263</u>	<u>–</u>	<u>477,383</u>

At 31 December 2011

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Available-for-sale investments:				
Debt investments	–	235,931	–	235,931
Equity investments at fair value through profit or loss	<u>187,522</u>	<u>–</u>	<u>–</u>	<u>187,522</u>
	<u>187,522</u>	<u>235,931</u>	<u>–</u>	<u>423,453</u>

The Company did not have any financial assets measured at fair value at 31 December 2012 and 31 December 2011.

Liabilities measured at fair value

The Group and the Company did not have any financial liabilities measured at fair value at 31 December 2012 and 31 December 2011.

During the year ended 31 December 2012 and 31 December 2011, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, other interest-bearing loans, available-for-sale investments, equity investments at fair value through profit or loss, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings with floating interest rates.

The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing bank borrowings. As the Group does not expect to significantly increase its level of interest-bearing bank borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

Group

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2012			
Hong Kong dollar	50	(72)	–
United States dollar	50	(11)	–
Hong Kong dollar	(50)	72	–
United States dollar	(50)	11	–
2011			
Hong Kong dollar	50	(532)	–
United States dollar	50	(110)	–
Hong Kong dollar	(50)	532	–
United States dollar	(50)	110	–

* Excluding retained profits

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Foreign currency risk**

The Group's exposure to market risk for change in foreign currency exchange rates relates primarily to certain investments, certain cash and cash equivalents and certain other loans in currencies other than the functional currency of Hong Kong dollars.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in Renminbi, United States dollar and Japanese Yen exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

Group

	Increase/ (decrease) in foreign currency rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2012			
If Hong Kong dollar weakens against Renminbi	(5)	6,018	624
If Hong Kong dollar strengthens against Renminbi	5	(6,018)	(624)
If Hong Kong dollar weakens against United States dollar	(5)	(4,606)	12,878
If Hong Kong dollar strengthens against United States dollar	5	4,606	(12,878)
If Hong Kong dollar weakens against Japanese Yen	(5)	(641)	–
If Hong Kong dollar strengthens against Japanese Yen	5	641	–
2011			
If Hong Kong dollar weakens against Renminbi	(5)	2,146	463
If Hong Kong dollar strengthens against Renminbi	5	(2,146)	(463)
If Hong Kong dollar weakens against United States dollar	(5)	8,500	10,978
If Hong Kong dollar strengthens against United States dollar	5	(8,500)	(10,978)
If Hong Kong dollar weakens against Japanese Yen	(5)	1,054	–
If Hong Kong dollar strengthens against Japanese Yen	5	(1,054)	–

* Excluding retained profits

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise pledged deposits, cash and cash equivalents, available-for-sale investments, equity investments at fair value through profit or loss and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customers bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 20 to the financial statements.

Liquidity risk

In the management of its 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 interest-bearing bank and other borrowings and ensures compliance with relevant covenants.

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

Group

	2012				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	986,542	—	—	—	986,542
Trade payables	605	—	—	—	605
Other payables and accruals	135,636	—	—	—	135,636
Deposits received	55,605	—	—	—	55,605
Due to a director	2,454	—	—	—	2,454
	<u>1,180,842</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,180,842</u>

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity risk** (continued)

Group

	2011				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	1,017,176	–	–	–	1,017,176
Trade payables	1,416	–	–	–	1,416
Other payables and accruals	123,325	–	–	–	123,325
Deposits received	52,423	–	–	–	52,423
Due to a director	5,435	–	–	–	5,435
	<u>1,199,775</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,199,775</u>

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's interest-bearing bank and other borrowings based on the scheduled repayment dates set out in the loan agreements as set out in the table below:

Group

	2012				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	<u>199,117</u>	<u>83,256</u>	<u>365,214</u>	<u>338,955</u>	<u>986,542</u>

	2011				Total HK\$'000
	On demand and less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
Interest-bearing bank and other borrowings	<u>322,610</u>	<u>435,733</u>	<u>215,861</u>	<u>42,972</u>	<u>1,017,176</u>

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed equity securities classified as equity investments at fair value through profit or loss at 31 December 2012. The Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2012	High/low 2012	31 December 2011	High/low 2011
Hong Kong – Hang Seng Index	22,657	22,667/18,186	18,434	24,420/16,250

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

Group

	Carrying amount of equity investments HK\$'000	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2012			
Investments listed in Hong Kong and overseas	211,120	21,112/ (21,112)	–
– Held for trading			–
2011			
Investments listed in Hong Kong and overseas	187,522	18,752/ (18,752)	–
– Held for trading			–

* Excluding retained profits

NOTES TO FINANCIAL STATEMENTS (CONT'D)

31 December 2012

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Capital management**

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

The Group monitors capital using a debt-to-equity ratio, which is interest-bearing bank and other borrowings divided by the shareholders' equity. The debt-to-equity ratios at the end of the reporting periods were as follows:

Group

	2012 HK\$'000	2011 HK\$'000
Interest-bearing bank and other borrowings	<u>922,023</u>	<u>1,002,751</u>
Equity attributable to owners of the Company	<u>3,638,061</u>	<u>3,061,293</u>
Debt-to-equity ratio	<u>25.34%</u>	<u>32.76%</u>

39. EVENTS AFTER THE REPORTING PERIOD

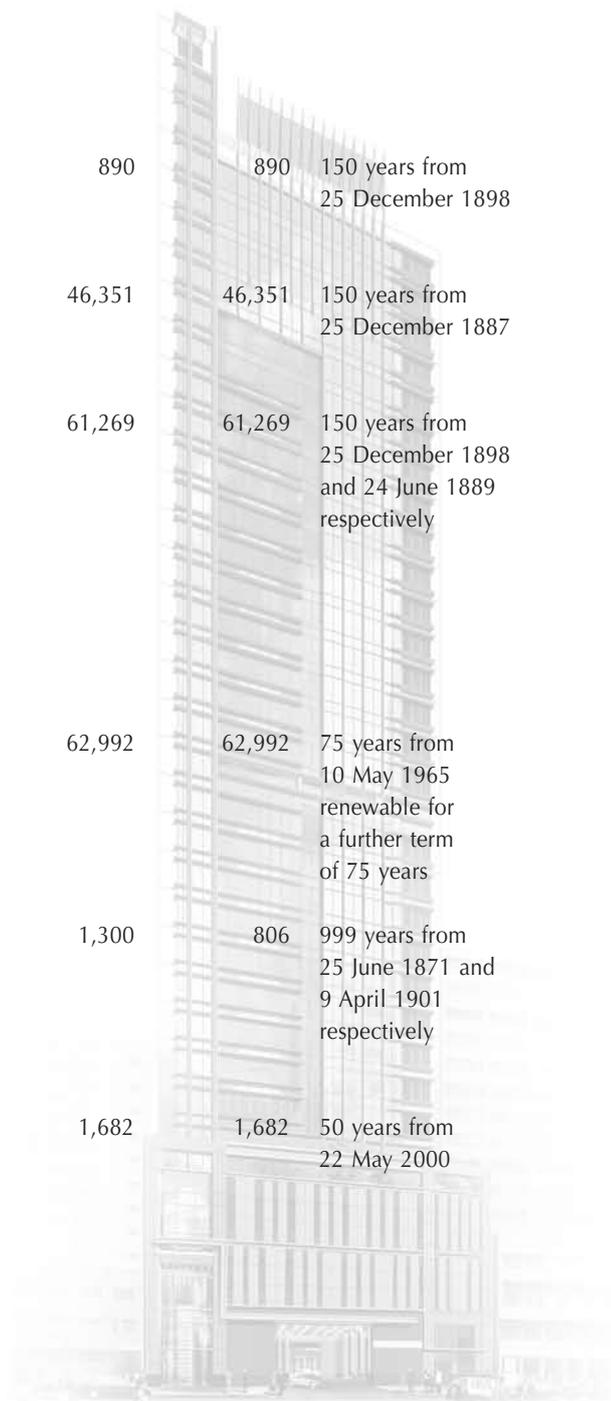
On 10 January 2013, the Group entered into a provisional agreement with a third party to acquire certain properties situated in Hong Kong for a cash consideration of HK\$80,800,000. This transaction was completed on 18 March 2013.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2013.

PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft)	Gross Floor Area attributable to the Group (Approx. sq.ft)	Lease Term
Hong Kong						
1	Ground Floor of Block 1B, Pine Villas, Nos.118 & 118A, Castle Peak Road, Castle Peak Bay, Tuen Mun, New Territories, Hong Kong	Residential	100%	1,833	1,833	Up to 30 June 2047
2	Flat B on 7th Floor, Rose Mansion, No.1 Prat Avenue, Kowloon, Hong Kong	Residential	100%	890	890	150 years from 25 December 1898
3	Multifield Centre, No.426 Shanghai Street, Kowloon, Hong Kong	Commercial	100%	46,351	46,351	150 years from 25 December 1887
4	Ground Floor, 1st to 3rd, 5th Floors, Air-conditioning Plant Room on 6th Floor, Office Unit 01 on 7th Floor (including exclusive lavatory), Office Units 01 to 03 and 05 to 10 on 20th and 21st Floors and the roof, Multifield Plaza, No.3 Prat Avenue, Kowloon, Hong Kong	Commercial	100%	61,269	61,269	150 years from 25 December 1898 and 24 June 1889 respectively
5	Multifield House, No.54 Wong Chuk Hang Road, Hong Kong	Industrial	100%	62,992	62,992	75 years from 10 May 1965 renewable for a further term of 75 years
6	Shop No. 2 on Ground Floor, Goldfield Building, Nos.42, 43 and 44 Connaught Road West and Nos.200 and 202 Wing Lok Street, Hong Kong	Commercial	62.02%	1,300	806	999 years from 25 June 1871 and 9 April 1901 respectively
7	Flat B on 9th Floor of Tower 5 and Private Cars Car Park No. 53 on Car Park Level 3, Residence Bel-Air of Island South, No.28 Bel-Air Avenue, Hong Kong	Residential/ Carpark	100%	1,682	1,682	50 years from 22 May 2000

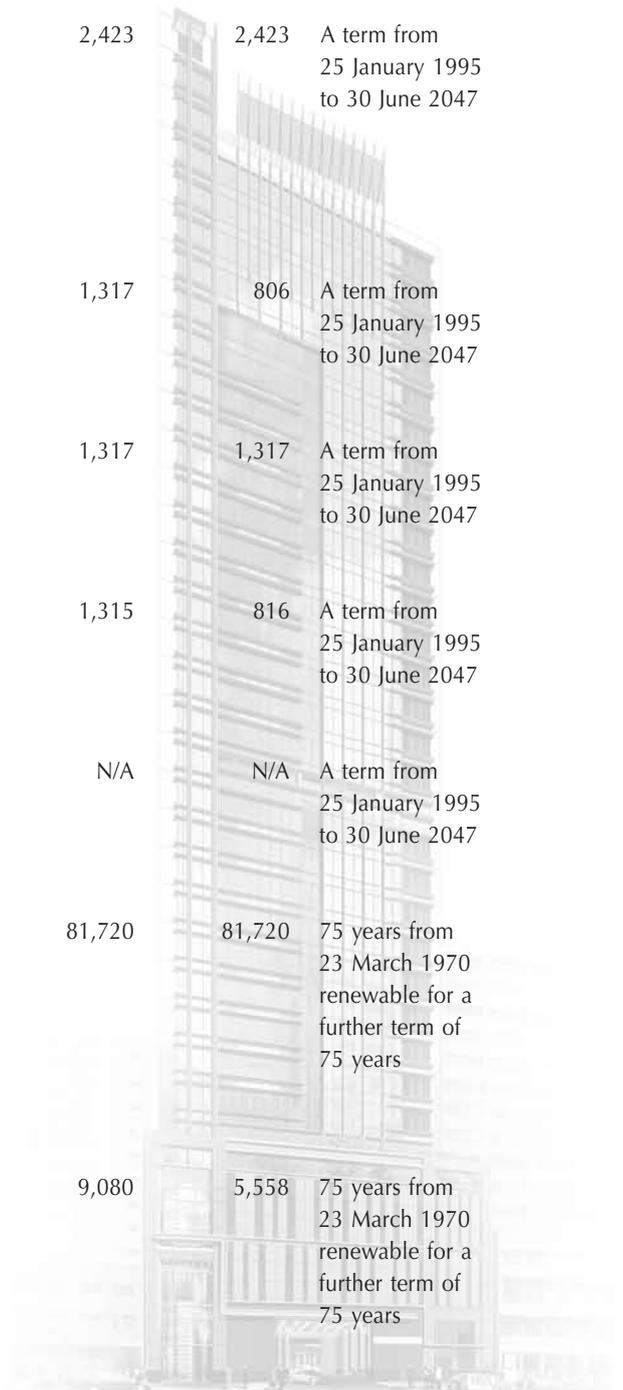


PROPERTY PORTFOLIO OF THE GROUP (CONT'D)

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft)	Gross Floor Area attributable to the Group (Approx. sq.ft)	Lease Term
8	Flat B on 30th Floor of Tower 6 and Private Cars Car Park No. 58 on Car Park Level 2, Bel-Air on the Peak of Island South, No.68 Bel-Air Peak Avenue, Hong Kong	Residential/ Carpark	100%	913	913	50 years from 22 May 2000
9	Flat E, 18th Floor, Block H-9, Fu Yip Yuen, Chi Fu Fa Yuen, No.9 Chi Fu Road, Hong Kong	Residential	61.21%	518	317	75 years from 19 October 1976 renewable for a further term of 75 years
10	Flat H, 18th Floor, Block H-14, Fu Chun Yuen, Chi Fu Fa Yuen, No.14 Chi Fu Road, Hong Kong	Residential	61.21%	518	317	75 years from 19 October 1976 renewable for a further term of 75 years
11	Flat H, 21st Floor, Block H-12, Fu Yar Yuen, Chi Fu Fa Yuen, No.12 Chi Fu Road, Hong Kong	Residential	61.21%	518	317	75 years from 19 October 1976 renewable for a further term of 75 years
12	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 20th Floor, Pacific Link Tower, Southmark, No.11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Commercial	100%	11,438	11,438	A term from 17 December 1991 to 30 June 2047
13	Units 1 to 3, 5, 6, 21 to 23 and 25 to 28 on 19th Floor, Pacific Link Tower, Southmark, No.11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Commercial	61.21%	11,439	7,002	A term from 17 December 1991 to 30 June 2047
14	Car Parking Space (Private Carpark) No. P101 on 1st Floor and Nos. P201 and P202 on 2nd Floor, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Carpark	61.21%	N/A	N/A	A term from 17 December 1991 to 30 June 2047
15	Car Parking Space (Private Carpark) Nos. P229 and P230 on 2nd Floor, Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Carpark	100%	N/A	N/A	A term from 17 December 1991 to 30 June 2047

PROPERTY PORTFOLIO OF THE GROUP (CONT'D)

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft)	Gross Floor Area attributable to the Group (Approx. sq.ft)	Lease Term
16	Multi-storey Lorry Park of Ground Floor to Lower Ground 5 (G/F to LG1-5/F (Inclusive)), Southmark, No. 11 Yip Hing Street, Wong Chuk Hang, Hong Kong	Carpark	62.02%	N/A	N/A	A term from 17 December 1991 to 30 June 2047
17	Flat A (Including the Bay Window, the Balcony, the Utility Platform thereof and the Air-Conditioning Plant Room Appertaining thereto) on the 12th Floor, Tower 2, Larvotto, No. 8 Ap Lei Chau Praya Road, Ap Lei Chau, Hong Kong	Residential	100%	2,423	2,423	A term from 25 January 1995 to 30 June 2047
18	Flat A (Including the Balcony thereof) on the 12th Floor, Tower 8, Larvotto, No. 8 Ap Lei Chau Praya Road, Ap Lei Chau, Hong Kong	Residential	61.21%	1,317	806	A term from 25 January 1995 to 30 June 2047
19	Flat A (Including the Balcony thereof) on the 21st Floor, Tower 8, Larvotto, No. 8 Ap Lei Chau Praya Road, Ap Lei Chau, Hong Kong	Residential	100%	1,317	1,317	A term from 25 January 1995 to 30 June 2047
20	Flat B (Including the Balcony thereof) on the 21st Floor, Tower 8, Larvotto, No. 8 Ap Lei Chau Praya Road, Ap Lei Chau, Hong Kong	Residential	62.02%	1,315	816	A term from 25 January 1995 to 30 June 2047
21	Car Parking Space No. 1071 on 1st Floor, Larvotto, No. 8 Ap Lei Chau Praya Road, Ap Lei Chau, Hong Kong	Carpark	100%	N/A	N/A	A term from 25 January 1995 to 30 June 2047
22	Whole of 4th, 5th, 8th and 9th Floors, Units B1 and B2 on 14th Floor and Car Parking Spaces Nos. 1-4 and 10-21, Blue Box Factory Building, No. 25 (Formerly No.15) Hing Wo Street, Hong Kong	Industrial/ Carpark	100%	81,720	81,720	75 years from 23 March 1970 renewable for a further term of 75 years
23	Units B1 and B2 on 2nd Floor, Blue Box Factory Building, No. 25 (Formerly No.15) Hing Wo Street, Hong Kong	Industrial	61.21%	9,080	5,558	75 years from 23 March 1970 renewable for a further term of 75 years

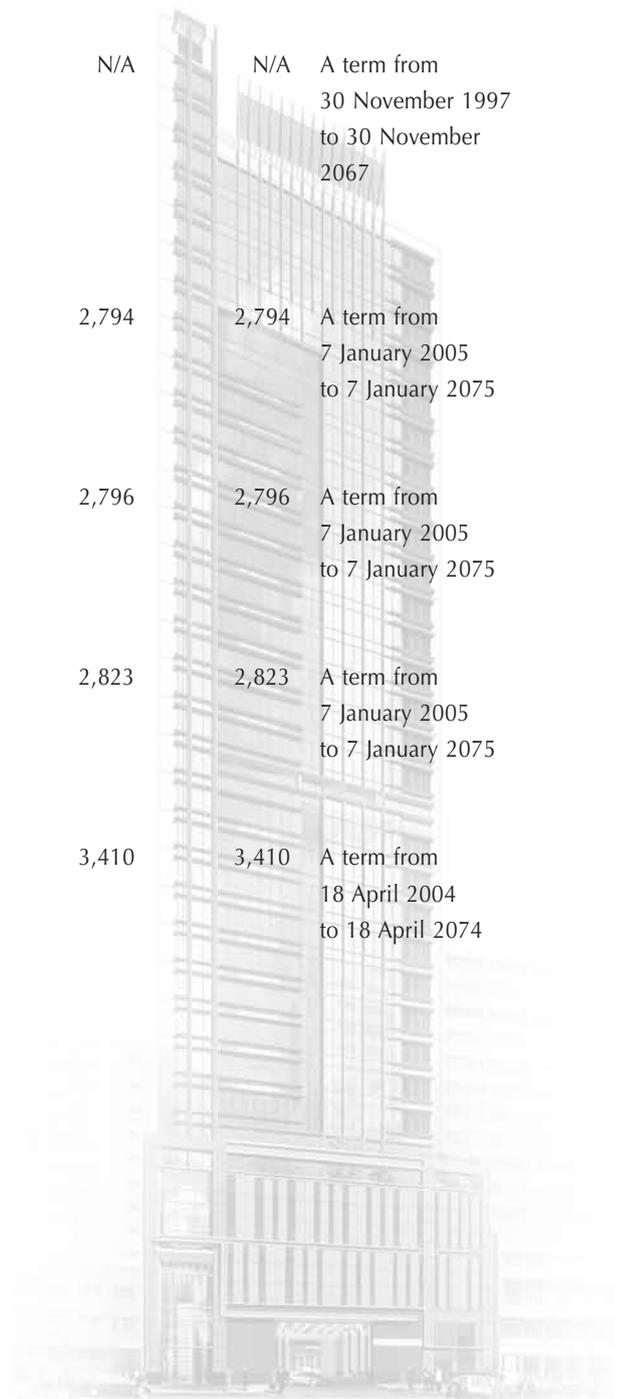


PROPERTY PORTFOLIO OF THE GROUP (CONT'D)

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft)	Gross Floor Area attributable to the Group (Approx. sq.ft)	Lease Term
The PRC						
24	Unit 2101 and 1 carpark space, Block B, Versailles de Shanghai, No. 2, Lane 123 Fahuazhen Road, Changning District, Shanghai, The PRC	Residential/ Carpark	63.06%	1,636	1,032	A term from 27 May 1996 to 7 October 2062
25	Levels 1 and 2, Block B, Versailles de Shanghai, No. 1, Lane 123 Fahuazhen Road, Changning District, Shanghai, The PRC	Commercial	63.06%	6,276	3,958	A term from 26 February 1997 to 7 October 2062
26	Windsor Park, No. 2279 Hongqiao Road, Changning District, Shanghai, The PRC	Serviced Villas	46.20%	178,956	82,678	A term from 21 November 2000 to 7 November 2062
27	Windsor Court, No. 2290 Hongqiao Road, Changning District, Shanghai, The PRC	Serviced Apartment	100%	199,905	199,905	A term from 5 April 1997 to 7 November 2062
28	Windsor Place, Lane 2222 Jianhe Road, Changning District, Shanghai, The PRC	Serviced Villas	62.02%	448,753	278,317	A term from 23 June 1997 to 22 June 2067
29	The land located at Santaishi Road/Gangqian Road, Qianshan District, Zhuhai City, Guangdong Province, The PRC (Site Area: Approx. 396,210 sq.ft)	Commercial	100%	*475,446	*475,446	A term from 2 January 2004 to 1 January 2044
30	The land located at Zhufeng Road, Jingan Town, Doumen District, Zhuhai City, Guangdong Province, The PRC (Site Area: Approx. 1,013,009 sq.ft)	Commercial, Exhibition Centre and Hotel	100%	*1,215,600	*1,215,600	From 29 December 2007 to 29 December 2047 and 2057 respectively
31	Unit 1604, Block 2, Dong Fang Ao Jin Feng, No. 39 Qingluzhong Road, Zhuhai City, Guangdong Province, The PRC	Residential	100%	2,080	2,080	A term from 30 November 1997 to 30 November 2067

PROPERTY PORTFOLIO OF THE GROUP (CONT'D)

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft)	Gross Floor Area attributable to the Group (Approx. sq.ft)	Lease Term
32	Unit 2701, Block 3, Dong Fang Ao Jin Feng, No. 39 Qingluzhong Road, Zhuhai City, Guangdong Province, The PRC	Residential	100%	2,847	2,847	A term from 30 November 1997 to 30 November 2067
33	Car Parking Space Nos. Y201, Y211 and Y212, Dong Fang Ao Jin Feng, No.39 Qingluzhong Road, Zhuhai City, Guangdong Province, The PRC	Carpark	100%	N/A	N/A	A term from 30 November 1997 to 30 November 2067
34	House No. 97, No.376 Changsheng Road, Xiangzhou District, Zhuhai City, Guangdong Province, The PRC	Residential	100%	2,794	2,794	A term from 7 January 2005 to 7 January 2075
35	House No. 98, No.376 Changsheng Road, Xiangzhou District, Zhuhai City, Guangdong Province, The PRC	Residential	100%	2,796	2,796	A term from 7 January 2005 to 7 January 2075
36	House No. 100, No.376 Changsheng Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC	Residential	100%	2,823	2,823	A term from 7 January 2005 to 7 January 2075
37	No.17, Lane 1, No.1218 Zhu Feng Main Road, Doumen District, Zhuhai City, Guangdong Province, The PRC	Residential	100%	3,410	3,410	A term from 18 April 2004 to 18 April 2074



PROPERTY PORTFOLIO OF THE GROUP (CONT'D)

No.	Property	Use	Group's effective holding	Gross Floor Area (Approx. sq.ft)	Gross Floor Area attributable to the Group (Approx. sq.ft)	Lease Term
38	Unit 402, Block 20, No.8 Shan Hu Hai Road, Xihucheng District, Jinwan District, Zhuhai City, Guangdong Province, The PRC	Residential	100%	2,144	2,144	A term from 10 October 2007 to 9 October 2077
39	Unit 302, Block 20, No.8 Shan Hu Hai Road, Xihucheng District, Jinwan District, Zhuhai City, Guangdong Province, The PRC	Residential	100%	2,144	2,144	A term from 10 October 2007 to 9 October 2077
40	Units A to F on Level 16, Tower II, Innotect Tower, No. 239 Nanjing Road, Heping District, Tianjin, The PRC	Residential	100%	8,620	8,620	A term from 25 July 1992 to 24 July 2062
41	Unit No. 7-10-I on Level 10 of Block No. 7, No. 68 Xinzhong Street, Dongcheng District, Beijing The PRC	Residential	61.21%	1,132	693	Up to 1 November 2063

Notes:

N/A – Not Applicable

* – Buildable Gross Floor Area