Hopefluent Group Holdings Limited

合富輝煌集團控股有限公司

(Incorporated in the Cayman Islands with limited liability) Stock Code: 733

Hopefluent

ANNUAL REPORT 2012

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Corporate Information

BOARD OF DIRECTORS
Executive Directors
Mr. FU Wai Chung *(Chairman)*
Ms. NG Wan
Ms. FU Man
Mr. LO Yat Fung

Independent Non-Executive Directors
Mr. LAM King Pui
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF AUDIT COMMITTEE
Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF REMUNERATION COMMITTEE
Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF THE NOMINATION COMMITTEE
Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen
Mr. FU Wai Chung
Mr. LO Yat Fung

COMPANY SECRETARY
Mr. LO Hang Fong, solicitor, Hong Kong

AUTHORISED REPRESENTATIVES
Mr. FU Wai Chung
Mr. LO Yat Fung

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
8/F & 9/F, International Trade Center
1 Linhe Xi Lu
Tianhe District
Guangzhou
PRC

PLACE OF BUSINESS IN HONG KONG
Room 3611, 36th Floor
Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS
Stevenson, Wong & Co.
4/F & 5/F, Central Tower
28 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS
Industrial and Commercial Bank of China
Room 358, Citic Plaza
233 Tian Ho Bei Road
Guangzhou, PRC

Agricultural Bank of China
1/F Guangzhou International Trade Centre
1 Linhe Xi Lu
Guangzhou, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

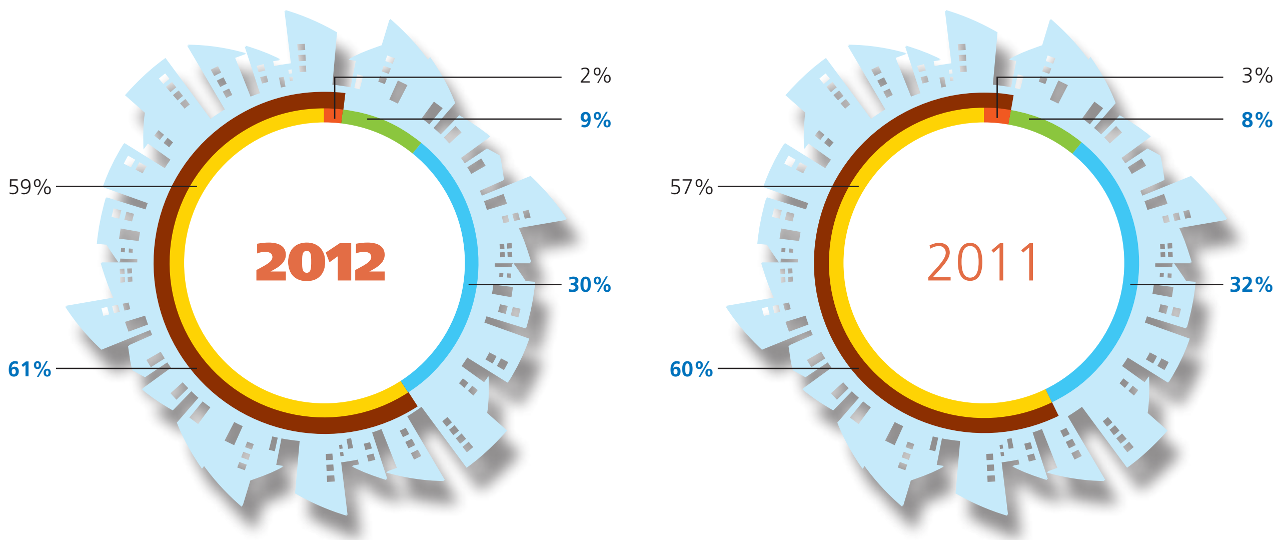
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

STOCK CODE
733

WEBSITE
www.hopefluent.com

Financial Highlights

Turnover by Business *For the year ended 31st December*



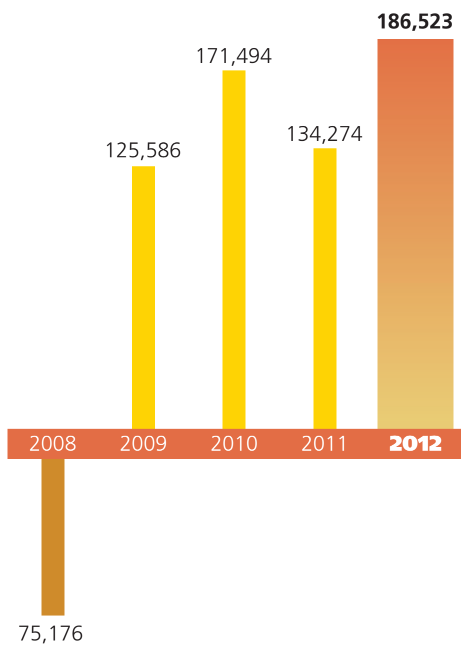
Commission income for primary property transactions

Commission income for secondary property transactions

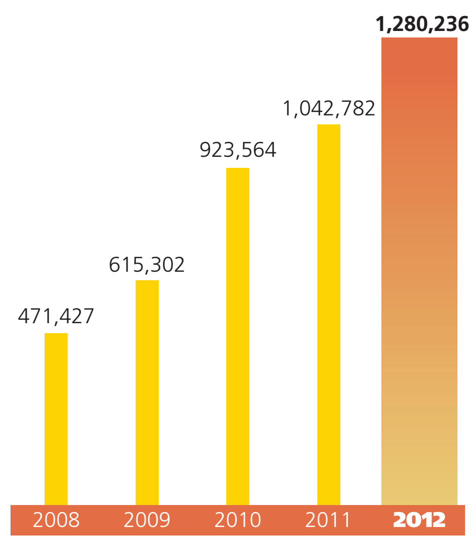
Consultancy service fee income

Property management and others

Profit Attributable to Shareholders *(HK$'000)*



Shareholders's Funds *(HK$'000)*



Year in Review

The Group has more than 25 offices serving more than 100 cities. In the past year, the Group continued to work closely with renowned property developers including Vanke, Evergrande, Poly, Gemdale, Kingold, Citic, Agile Property, KWG Property, Star River, New World China Land, Sun Hung Kai Properties and Shui On China Central Properties.

The Group has more than 300 secondary branches in Guangzhou, Shanghai, Dongguan and Foshan

Hopefluent-Compareal, the Group's franchise business in Vietnam

Hopefluent Exchange Centre provides one stop service to secondary transactions

Online property information provider — www.ihk.cn

In addition to providing primary and secondary property agency services, the Group also offers other property related value-added services to customers including mortgage referral service, property valuation, property auction, property management, online real estate service and franchise business

Chairman's Statement

In the first half of 2012, to further facilitate stable and healthy development of the property market in the PRC, the Central Government has imposed a number of regulations, including property purchase and mortgage restrictions. The regulations are aimed at curbing the overheated property market in some cities driven by speculative investment. Nevertheless, market demand, particularly for those have been repressed for a long period of time, remained strong due to the adjustment of monetary policies in the second half of 2012. As such, the property market in the PRC has continued to boom. Benefitted from the booming market, Hopefluent's business has grown steadily in the past year with turnover and profit attributable to shareholders up by 11% and 38.9% respectively, attributable to the ongoing collaborative efforts of the Group as a whole.

During the year, Hopefluent has achieved a remarkable performance in the primary property real estate agency service business, successfully consolidating its position as the market leader. At present, the Group has secured more than 550 projects for which it has exclusive agency and has business covering more than 100 cities across the country. Attracting major attention and outstanding sales is Riviera, a luxurious residential project co-developed by three renowned and respected developers Sun Hung Kai Properties, KWG Property and R&F Properties, where the Group is the exclusive agency. The rising number of agency projects secured continues to increase the Group's market share and fully realized economies of scale.

As for the secondary property real estate agency service business, the Group has timely adjusted its operating strategies when facing a weak secondary market. Apart from maintaining the normal business of our secondary property real estate agency service business, we have systematically organized its secondary property agency team to involve in the selling of the primary property projects. We have also taken a more active role in the sales and leasing of commercial and office properties. All these business strategies have ensured a healthy business development of the Group.

Driven by the consistent economic growth in the PRC, rapid urbanisation and especially the increasing spending power of the population, the property market has been robust in demand. Therefore, the Group believes the prospects of the market remains positive. Looking ahead, the Group will continue to closely monitor market trends, execute an accurate business strategy and grasp upcoming opportunities to further expand its business to more cities in the PRC and continue enlarging its market share.

Last but not least, on behalf of the Board, I would like to thank all of our shareholders, business partners and customers for their support, as well as their confidence in and recognition of the Group's future development strategy. I would also like to express my gratitude to our staff for their dedicated efforts and contributions over the past year. Hopefluent will strive to fulfill its mission to maximize returns to its investors while aiming at driving long-term and flourishing business growth.

By Order of the Board
Chairman
Fu Wai Chung
Hong Kong, 21st March, 2013

Comprehensive Networks in PRC

Biographical Details of Directors & Senior Management

DIRECTORS

Executive Directors

Mr. Fu Wai Chung (Chairman), aged 63, the co-founder and chairman of the Group, is responsible for the strategic planning and overall management of the Group. Mr. Fu is a graduate of 華南工學院 (Wahnan Industrial College, the PRC) and holds a certificate in mechanical engineering. Mr. Fu has over 15 years of experience in real estate agency business management and administration in the PRC.

Ms. Ng Wan, aged 57, the co-founder of the Group, is responsible for the Group's sales and marketing and overall management. Ms. Ng is a graduate of 廣州業餘大學 (Guangzhou Part-time University, the PRC) and holds a certificate in arts. Ms. Ng has over 15 years of experience in the real estate agency business. She is the wife of Mr. Fu.

Ms. Fu Man, aged 52, the co-founder of the Group, is responsible for the Group's sales and marketing and overall management. Ms. Fu attended 廣州大學科技幹部學院 (Technology College, Guangzhou University, the PRC) and holds a certificate in industrial foreign trade. Ms. Fu has over 15 years of experience in the real estate agency business. She is the sister of Mr. Fu.

Mr. Lo Yat Fung, aged 48, is a certified public accountant in Hong Kong and has over 20 years of experience in accounting and financial management. Mr. Lo has obtained a professional diploma in accountancy from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. In addition, Mr. Lo is a fellow member of the Taxation Institute of Hong Kong and an associate member of the Institute of Chartered Secretaries and Administrators.

Independent Non-Executive Directors

Mr. Lam King Pui, aged 47, is the chief financial officer of a jewellery retailer in Hong Kong. He holds a Bachelor of Arts degree in accountancy from the Hong Kong Polytechnic University and has over 20 years of experience in accounting. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants, a Certified Public Accountant, an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

Mr. Ng Keung, aged 62, is the managing director of a private information technology company since 2000. Prior to the current appointment, Mr. Ng was the vice chairman and the general manager of a private investment company in Hong Kong. Mr. Ng graduated from 廣州市廣播電視大學 (Guangzhou City Radio and Television University, the PRC) with a diploma in industrial enterprises management.

Mrs. Wong Law Kwai Wah, Karen, aged 64, holds a bachelor of arts degree from the University of Hong Kong and has over 35 years working experience in the real estate field. Mrs. Wong is a fellow member of the Chartered Institute of Housing Asian Pacific Branch and a fellow of the Hong Kong Institute of Housing. She is a licensed real estate agent and is currently the Chairlady of the Practice and Complaints Committee of the Hong Kong Real Estate Agents Ltd.

AUDIT COMMITTEE

The Company established an audit committee on 24th June, 2004. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The committee has reviewed the audited financial statements for the year ended 31st December, 2012.

The audit committee of the Group consists of three independent non-executive Directors, namely Mr. Lam King Pui, Mr. Ng Keung and Mrs. Wong Law Kwai Wah, Karen. Mr. Lam King Pui was appointed as the chairman of the audit committee.

COMPANY SECRETARY

Mr. Lo Hang Fong, aged 49, is a solicitor practising in Hong Kong and the company secretary of the Company. He holds a bachelor's degree in laws from the University of Bristol in England and a diploma in Chinese laws from the China Law Society. He has acquired over 15 years of experience in corporate advisory on mergers and acquisitions, initial public offerings and loan syndication.

SENIOR MANAGEMENT

Ms. Li Jie Nu, aged 59, is the manager of the administration department and is responsible for the administration and human resources of the Group. She has 20 years of experience in management and business administration. Ms. Li holds a diploma in business administration from the Guangzhou Finance and Trading Management College, the PRC (廣州市財貿管理幹部學院).

Mr. Liang Guo Hong, aged 47, is the financial controller and is responsible for the financial management of the Group. He holds a diploma in business administration from the Guangzhou Finance and Trading Management College, the PRC (廣州市財貿管理幹部學院) and a bachelor's degree in construction engineering from the Military Engineering College, the PRC (中國工程兵工程學院).

Mr. Xu Jing Hong, aged 41, is the deputy general manager and is responsible for formulation of development strategies and overall business management for primary property agency business of the Group. He holds a diploma in business administration from the South China Normal University, the PRC (華南師範大學).

Mr. Xie Yu Han, aged 48, is the deputy general manager and is responsible for market research and analysis and project planning consultancy service business. He holds a diploma in corporate management from the Jinan University, the PRC (中國暨南大學).

Ms. Wu Shan Hong, aged 44, is the deputy general manager and is responsible for the market development and management of the value-added services of the primary property agency business of the Group. She holds a bachelor's degree of arts from the Shenzhen University, the PRC (深圳大學) and a master's degree in business administration from the University of Western Sydney, Australia.

Mr. Li Wei, aged 41, is the deputy general manager and is responsible for the formulation of development strategies and overall business management for the secondary property agency business of the Group. He holds a bachelor's degree in material science and engineering from the Guangdong Industrial University, the PRC (廣東工業大學).

Mr. Zheng Song Jie, aged 35, is the general business manager of the Guangzhou district and is responsible for sales and promotion strategies for primary property projects in Guangzhou and the Pearl River Delta region. He holds a bachelor's degree in business administration from the Guangdong Commercial College, the PRC (廣東商學院).

Ms. Hu Yun, aged 40, is the manager of the architectural design department and is responsible for the research on the architectural aspects of the property projects. She holds a bachelor's degree in architecture from the South China University of Technology, the PRC (中國華南理工大學).

Mr. Zheng Wen Wei, aged 42, is the business manager and is responsible for the market development and strategy planning for the primary property agency business of the central and western part of China. He holds a bachelor's degree in economics from the Commercial Institute of Heilongjiang, the PRC (中國黑龍江商學院).

Mr. Ou Yang Da Hui, aged 45, is the general manager of Tianjin Hopefluent Real Properties Sales and Marketing Limited and is responsible for market development and strategy planning for primary property projects in northern part of China. He holds a bachelor's degree in engineering from the Shenzhen University, the PRC (深圳大學).

Mr. Liu Lian, aged 41, is the general manager of the Anhui Hopefluent Real Properties Consultancy Limited and is responsible for the market development and the strategy planning for the primary property agency business in the eastern part of China. He holds a professional diploma in financial management from the Shanghai Railway Institute, the PRC (中國上海鐵道學院) and a professional diploma in corporate management from the International Business Faculty of the Nanjing University, the PRC (中國南京大學國際商學院).

Ms. Zhu Jie, aged 50, is the general manager of Shanghai Hopefluent Real Properties Consultancy Limited and is responsible for the market development and the strategy planning for the primary property agency business in the Yangtze Delta. She holds a master's degree in business administration from the Renmin University of China (中國人民大學).

Mr. Long Bin, aged 45, is the chief marketing research analyst and is responsible for the analysis of market information. He holds a bachelor's degree in philosophy from the Jilin University of China (中國吉林大學) and a doctor's degree from the Renmin University of China (中國人民大學).

Ms. Hu Yue, aged 44, is the general manager of Bola Realty Guarantee (Guangzhou) Limited and is responsible for the management of the primary and secondary property mortgage and loans business. She holds a master's degree in economic law from the Renmin University of China (中國人民大學).

Mr. Lu Jiang Bin, aged 51, is the general manager of the property management business and is responsible for the overall management of the property management services. He holds a diploma from the City Radio and Television University, the PRC (中國廣播電視大學).

Mr. Huang Jian Bang, aged 58, is the general manager of the property management business in Shanghai and is responsible for the property management business in Shanghai. He holds a professional diploma from the English Department of Shanghai Foreign Institute (上海外國語學院).

Management Discussion and Analysis

BUSINESS REVIEW

The year 2012 was a year full of challenges and opportunities. Affected by the continuous macroeconomic and monetary policies imposed by the Central Government, the domestic property market is developing towards a healthy and rational direction. As the austerity measures were gradually digested and the domestic economy continued to grow rapidly, a strong pent-up demand which has been repressed for a period of time was gradually released and the market began to warm up with a steady increase in transaction volume. The Group accurately grasped the market trend, fully utilized the extended customers' resources as well as our comprehensive information system, the primary property real estate projects were outperformed, and thus was able to deliver a satisfactory growth.

For the year ended 31st December, 2012, the Group's turnover increased by 11% from HK$1,611 million in 2011 to HK$1,781 million. Profit attributable to shareholders also rose by 38.9% from HK$134.3 million in 2011 to HK$186.5 million. Basic earnings per share were HK40.1 cents (2011: HK29.3 cents). The Board recommended the payment of a final dividend of HK9 cents per share for the year ended 31st December, 2012 (2011: HK5.5 cents). Together with an interim dividend of HK3.5 cents per share already paid, the total dividend for the year is HK12.5 cents (2011: HK9 cents).

During the year under review, the Group's primary and secondary property real estate agency service businesses brought in turnover of HK$1,095 million and HK$527 million respectively, accounting for 61% and 30% of the Group's total turnover. The remaining 9% or HK$159 million was derived from the property management business. By geographic location, Guangzhou contributed 48% of the Group's total turnover and 52% came from outside Guangzhou.

Primary Property Real Estate Agency and Consultancy Services 合富辉煌房地产 Hopefluent Real Properties

During the year under review, the Group handled approximately 111,000 primary property transactions involving a total gross floor area of about 12 million square meters with a total transaction value of about HK$126.0 billion, an increase of around 33% (2011: HK$94.5 billion). The Group was agent for more than 550 projects and about 502 of them contributed turnover to the Group for the year under review amounting to approximately HK$1,095 million, a 13% rise when compared to HK$966 million in 2011.

Currently, Hopefluent occupies the leading position in the primary property real estate agency market in China, and its total transaction value and number also far exceeded those of other peers. The business in Guangzhou generated a substantial profit to the Group in 2012, accounting for around 38% of the total turnover of primary property segments. After years of efforts to expand its business coverage, the Group has established 25 offices in second and third-tier cities such as Foshan, Dongguan, Hefei, Nanjing and Zhengzhou, successfully bringing its business to more than 100 third and fourth-tier cities. This strategic direction has enabled it to tap areas with strong potential including Zhongshan, Zhuhai, Shaoguan, Huainan, Xiangtan, Xinyang, Nanchang and Changshu. By capturing the opportunities available in these locations it has expanded its market share. During the year, specific offices including Foshan, Shenzhen, Hefei, Zhengzhou and Guizhou have registered outstanding performances. As such, turnover from districts outside Guangzhou contributed approximately 62% of the primary property real estate agency business.

During the year under review, its professional service, comprehensive sales strategy and outstanding sales track record have reinforced the trust and recognition of large developers who have worked closely with the Group for years. The number of exclusive agency projects continued to pick up, occupying around 95% of our total projects on hand. Of these Sun Hung Kai Properties, R&F Properties and KWG Property co-developed-Riviera, New World Central Park-view, Poly Zephyr City in Huadu, Evergrande Royal Scenic Bay in Hefei, Vanke King Metropolis, Evergrande City in Guiyang and Pudong Star River in Shanghai have delivered good sales performances.

Another strength of the Group is its comprehensive initial project consultancy services to property developers spanning the entire planning process from professional advice on location and market positioning to marketing strategies and sales. During the year under review, the Group provided initial project planning services for more than 30 development projects in many cities across China.

Secondary Property Real Estate Agency and Mortgage Referral Services

In 2012, the austerity measures launched by the Central Government have had a great impact on overall secondary property market. Major measures such as the introduction of property purchase restrictions and tighter mortgages for second property have discouraged property investors, shrinking the overall sales volume. Riding on extensive industry experience and shrewd market insight, the Group is able to quickly adjust its operating strategies for the secondary property real estate agency business. While reducing staff and number of branches in line with market conditions, it has also shifted its business focus to new property projects and commercial property sales such as office and shopping space and leasing services to increase commission income and expand its customer resources. Currently, there are around 300 branches, of which, approximately 240 branches are located in Guangzhou which is the Group's focus city, while the remaining 60 are located in Foshan, Dongguan, Shanghai and Hangzhou. Due to the efforts the Group has proactively spent on setting up a business unit to engage in the sales of some primary property projects, business performance of the secondary property real estate agency business was maintained at a similar standard to that of last year.

The Group handled approximately 39,000 secondary property transactions during the year (2011: 51,200 transactions). Turnover from the secondary property real estate agency service business increased 3% from HK$511 million in 2011 to approximately HK$527 million. Transactions from Guangzhou contributed around 82% of the total turnover from this segment while 18% came from of outside Guangzhou.

In addition to providing property agency services, the Group also offers other property related value-added services to customers including mortgage referral service, property valuation and property auction. These services not only provide an additional income stream to the Group, but also help to strengthen its brand image and create synergies with its current businesses.

Property Management Service

The Group has provided property management services during the year under review to more than 120 residential, office and commercial projects in Guangzhou, Shanghai, Tianjin and Wuhan involving more than 150,000 units with a total gross floor area covering more than 20 million square meters. These services have generated both a stable income and a large customer base for the Group, which would also support its future expansion.

Prospects

In early March of 2013, the Central Government sets the economic and social development targets for this year. These targets include pursuing annual GDP growth at about 7.5% and an annual consumer price index increase of 3.5%, as well as proposing the urbanization of villages as a major economic growth driver, which establish the continuous development space for the real estate industry. Also, along with the strong demand from first-time buyers and those who want to improve living standard, the Group is optimistic about the prospects of the property market in China and will continue to foster its business development steadily.

The primary property real estate agency business remains as the Group's development focus in 2013. Led by an experienced management team, the Group has strategically implemented sales plans in cities with growth potential in order to achieve sustainable business growth. At the same time, the Group has established close partnerships with renowned developers including Vanke, Evergrande, Poly, Gemdale, Citic, Kingold, China Merchants Property Development, China Resources Property, R&F Properties, Agile Property, KWG Property, Star River, Sun Hung Kai Properties and New World China Land. As part of this collaboration, it has become the designated property sales agent of new property projects launched by these developers in 2013. Projects on hand would also continue its growth momentum. The Group is also striving to secure more agency projects in different regions to consolidate its leadership position in China's property market.

Despite the "Five National Regulations on the Property Market" announced by the Central Government in early March of 2013, its aim is to discourage the soaring property price and speculative property investment. Notice should also be given to the Central Government's impetus to the urbanization plan, bringing out the messages of improving citizen's livelihood, increasing the housing demand and developing a healthy property market. The Group will maintain its primary property real estate service business in all cities in the PRC, aiming to form a solid foundation for the Group, thereby driving prudent business development and maintaining stable growth.

Management Discussion and Analysis

Moving forward, the Group is continuously striving to provide its customers with superior property real estate agency and consulting services, as well as actively expanding its real estate-related value-added services businesses. As for the domestic property market, the management believes that market demand for housing will remain strong. Together with the sales strategy of major developers to "sell more properties at a lower price" and the Central Government's sustainable economic development policies, the Group is confident of generating a satisfactory return for shareholders through a pragmatic business approach, proactive and timely strategy adjustment and highest quality of service.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising the three existing independent non-executive directors, has reviewed the audited financial statements for the year ended 31st December, 2012 including the accounting, internal controls and financial reporting issues.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2012, the Group maintained a sound financial position where the cash and bank deposits and current ratio, as a ratio of current assets to current liabilities, were approximately HK$609.5 million (31st December, 2011: HK$329.9 million) and 4.43 (31st December, 2011: 3.48) respectively. Total borrowings amounted to approximately HK$311.6 million which are secured bank borrowings and convertible notes (31st December, 2011: secured bank borrowings approximately HK$53.5 million). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 17.04% (31st December, 2011: 3.99%). The Group's secured bank borrowings and convertible notes are denominated in Renminbi and Hong Kong dollars respectively. The Group had no material contingent liabilities as at 31st December, 2012.

CONVERTIBLE NOTES

In August 2012, a subsidiary of the Company issued 5.39% exchangeable bonds in an aggregate principal amount of HK$218,400,000 due 2015. Details of the exchangeable bonds are set out in an announcement dated 1st August, 2012 and no exchangeable bonds have been converted into shares during the review year.

PLEDGE OF ASSETS

As at 31st December, 2012, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of approximately HK$88.6 million to banks to secure bank borrowings of the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions were denominated in either Hong Kong dollars or Renminbi. As such, the Group had no significant exposure to foreign exchange fluctuations.

EMPLOYEES

As at 31st December, 2012, the Group had approximately 11,790 full time employees. Around 8 staff were based in Hong Kong and the rest were employed in China. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

CAPITAL STRUCTURE

As at 31st December, 2012, the total number of shares (the "Shares") of HK$0.01 each in the capital of the Company in issue was 478,518,865.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") and the management of the Company and its subsidiaries (the "Group") are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices have always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Code on Corporate Governance Practices (the "CG Code") and the revised version of it which takes effect from 1st April, 2012 (the "New CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices. To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also the intent of the regulations to enhance corporate performance and accountability.

The Board is pleased to report compliance with the code provisions of the CG Code for the period from 1st January, 2012 up to 31st March, 2012 and the code provisions of the New CG Code for the period from 1st April, 2012 to 31st December, 2012, except where otherwise stated.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by directors. Having made specific enquiry with all directors, the directors confirmed that they all had complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board comprises:

Executive Directors	:	Mr. FU Wai Chung *(Chairman)* Ms. NG Wan Ms. FU Man Mr. LO Yat Fung
Independent Non-executive Directors	:	Mr. LAM King Pui Mr. NG Keung Mrs. WONG LAW Kwai Wah, Karen

Each independent non-executive director has given an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

During the financial year ended 31st December, 2012, seven Board meetings and one annual general meeting ("2012 AGM") were held and the attendance of each director is set out as follows:

Name of director	Number of meetings attended in the year ended 31st December, 2012 Board meetings	2012 AGM
Mr. FU Wai Chung	7/7	1/1
Ms. NG Wan	6/7	1/1
Ms. FU Man	6/7	1/1
Mr. LO Yat Fung	6/7	1/1
Mr. LAM King Pui	7/7	1/1
Mr. NG Keung	7/7	1/1
Mrs. WONG LAW Kwai Wah, Karen	7/7	1/1

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's long-term objectives and overall strategies, authorising the development plan and budget; determining and approving financing options; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all directors for their perusal and comments. Minutes are open for inspection at any reasonable time on reasonable notice by any director. The Board also ensures that it is supplied in a timely manner with the agenda and all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Fu Wai Chung ("Mr. Fu") is the chairman of the Company and co-founder of the Company. Mr. Fu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company.

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

The Board is of the view that though there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meetings between the directors and the management are held from time to time to discuss issues relating to operation of the Company.

The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

Ms. Ng Wan is the wife of Mr. Fu and Ms. Fu Man is the sister of Mr. Fu.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive director is appointed for an initial term which is renewable automatically each year. All independent non-executive directors are currently appointed for a specific term up to 31st December, 2014 which may be extended as each director and the Company may agree in writing. However, their appointments are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provision of the Articles of Association of the Company (the "Articles of Association").

The Articles of Association of the Company provides that at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

PROFESSIONAL DEVELOPMENT

To assist directors' continuing professional development, the Company recommends directors to attend relevant seminars to develop and refresh their knowledge and skills. All directors also participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. A record of the training received by the respective directors are kept and updated by the Company.

The individual training record of each director received for the year ended 31st December, 2012 is summarized below:

	Attending seminar(s)/ forum(s)/programme(s)/ conference(s) relevant to the business or directors' duties
Mr. FU Wai Chung	✓
Ms. NG Wan	✓
Ms. FU Man	✓
Mr. LO Yat Fung	✓
Mr. LAM King Pui	✓
Mr. NG Keung	✓
Mrs. WONG LAW Kwai Wah, Karen	✓

Corporate Governance Report

PROFESSIONAL DEVELOPMENT (Continued)

Mr. Fu Wai Chung, Ms. Ng Wan, Ms. Fu Man and Mr. Lo Yat Fung, being executive Directors, have attended various seminars and meetings to develop and refresh their knowledge so as to ensure that their contribution to the Board remains informed and relevant. Mr. Lam King Pui, Mr. Ng Keung and Mrs. Wong Law Kwai Wah, Karen, being independent non-executive Directors, have participated in continuous professional development programs provided by, among others, the Estate Agents Authority and the Hong Kong Institute of Certified Public Accountants. All the directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises the three existing independent non-executive directors, who have reviewed the financial statements for the year ended 31st December, 2012. Mr. Lam King Pui, the chairman of the Audit Committee, has professional qualifications and in-depth experience in accounting and related financial management expertise. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

According to the existing terms of reference of the Audit Committee, its major roles and functions are, amongst others, to consider the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal of the external auditors; to review the half-year and annual financial statements before submission to the Board; to monitor the quality of internal control and to consider major findings of internal investigations and management's response.

Four meetings were held for the year ended 31st December, 2012. The attendance of each member is set out as follows:

Name of members of Audit Committee	Number of meetings attended in the financial year ended 31st December, 2012
Mr. LAM King Pui	4/4
Mr. NG Keung	4/4
Mrs. WONG LAW Kwai Wah, Karen	4/4

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

(a) review and supervise the financial reporting process and internal control system of the Company and its subsidiaries;

(b) make recommendation to the Board, for the approval by shareholders, of the re-appointment of Messrs. Deloitte Touche Tohmatsu as the external Auditor and approval of their remuneration;

(c) review the financial statements for the relevant periods; and

(d) discuss business development and cash position of the Group.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") comprises the three existing independent non-executive directors and Mr. Lam King Pui is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

The roles and functions of the Remuneration Committee include consulting the chairman of the Board about their remuneration proposals for other executive directors, making recommendation to the Board on the Company's remuneration policy and structure for all directors' and senior management and the Remuneration Committee has adopted the approach under B.1.2(c)(ii) of the code provisions to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

The Group's human resources department assists the Remuneration Committee by providing relevant remuneration data and market conditions for the Committee's consideration. The remuneration of executive directors and senior management is determined with reference to the Company's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions.

One meeting was held during the year ended 31st December, 2012. During the meeting, remuneration policies of the directors and senior management have been discussed and no change has been proposed to the remuneration policies. No director or any of his associates was involved in deciding his own remuneration.

The attendance of each member is set out as follows:

Name of members of Remuneration Committee	Number of meetings attended in the financial year ended 31st December, 2012
Mr. LAM King Pui	1/1
Mr. NG Keung	1/1
Mrs. WONG LAW Kwai Wah, Karen	1/1

The Company has adopted a share option scheme which became effective on 24th June, 2004, which serves as an incentive to attract, retain and motivate staff.

The emolument payable to directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the directors' emolument are set out in note 13 to the consolidated financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 22nd March, 2012 comprising Mr. Fu Wai Chung, Mr. Lo Yat Fung and the existing three independent non-executive directors. Mr. Lam King Pui is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of The Stock Exchange of Hong Kong Limited.

Corporate Governance Report

NOMINATION COMMITTEE (Continued)

According to the terms of reference of the Nomination Committee, its major roles and functions are as follows:

— to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

— to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships of the Company;

— to assess the independence of independent non-executive directors of the Company; and

— to make recommendations to the Board on the appointment or re-appointment of directors of the Company and succession planning for directors, in particular the chairman and the chief executive of the Company.

In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the property real estate agency and consultancy services and/or other professional areas.

One meeting was held during the year ended 31st December, 2012. No change has been proposed to the structure, size and composition of the Board during the meeting and the Committee had also confirmed the independence of an independent non-executive director who would be retired and offer herself for re-election at 2012 AGM.

The attendance of each member is set out as follows:

Name of members of Nomination Committee	Number of meetings attended in the financial year ended 31st December, 2012
Mr. Fu Wai Chung	1/1
Mr. Lo Yat Fung	1/1
Mr. LAM King Pui	1/1
Mr. NG Keung	1/1
Mrs. WONG LAW Kwai Wah, Karen	1/1

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibilities (as set out in the Independent Auditor's Report) for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of the Company, as a body, and for no other purpose. A statement by auditor about their reporting responsibility is set out in the Independent Auditor's Report.

ACCOUNTABILITY AND AUDIT (Continued)

Internal Control and Risk Management

The Board is responsible for overseeing the Company's system of internal control.

To facilitate the effectiveness and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable to mitigating the Group's risk exposures. An internal control department ("ICD") was established in 2006 which reported directly to the Board. The function of the ICD audit team is to ensure the branches operation and practices are complied with the Group's policies and procedures. The team has reviewed and checked the sales, performance reports and cash flow of each branch rotationally. Programs have also been tailor-made for a monthly consolidated management accounts.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of materials assets and identification of business risks. The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31st December, 2012 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets and the Board is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system, such as control over expenditures and payroll, certain risk assessment controls and periodic review of the Group's performance by the Audit Committee and the Board.

Auditors' Remuneration

During the financial year ended 31st December, 2012, the fees paid to the Company's auditors is set out as follows:

Services rendered	Fees paid/payable (HK$'000)
Audit services	1,850
Non-audit services	100
	1,950

The non-audit services are review of documents related to the Company's annual results.

COMPANY SECRETARY

The Company has engaged Mr. Lo Hang Fong, a solicitor practising in Hong Kong, as its company secretary and Mr. Lo Yat Fung, an executive director of the Company, is the person whom the company secretary can contact. The biographical details of Mr. Lo Hang Fong are set out under the section headed "Biographical Details of Directors & Senior Management".

According to the newly introduced Rule 3.29 of the Listing Rules, Mr. Lo Hang Fong has taken no less than 15 hours of relevant professional training during the financial year ended 31st December, 2012.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

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

— Right to convene extraordinary general meeting

Any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's business office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposit it to the Board or the company secretary of the Company at the Company's place of business in Hong Kong at Room 3611, 36th Floor, Shun Tak Centre West Tower, 200 Connaught Road Central, Hong Kong and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the registered members. On the contrary, if the request has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

The notice period to be given to all the registered members for consideration of the proposal raised by the requisitionist(s) concerned at the EGM varies according to the nature of the proposal, as follows:

— At least 14 clear days' notice in writing (and not less than 10 business days) if the proposal constitutes an ordinary resolution of the Company;

— At least 21 clear days' notice in writing (and not less than 20 business days) if calling for an annual general meeting or the proposal constitutes a special resolution of the Company in EGM.

— Right to put enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the place of business of the Company in Hong Kong or by e-mail to info@hopefluent.com.hk for the attention of the Board or company secretary.

SHAREHOLDERS' RIGHTS (Continued)

— Right to put forward proposals at general meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above. Pursuant to Article 88 of the Company's Articles of Association, no person, other than a director retiring at a meeting, shall, unless recommended by the directors for election, be eligible for appointment as a director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.hopefluent.com.

During the year ended 31st December, 2012, there had been no significant change in the Company's constitutional documents.

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2012 are set out in the consolidated statement of comprehensive income on page 29.

An interim dividend of HK3.5 cents (2011: HK3.5 cents) per share amounting to HK$16,378,000 (2011: HK$16,077,000) in aggregate was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK9 cents (2011: HK5.5 cents) per share (the "Proposed Final Dividend") to the shareholders on the register of members on 31st May, 2013.

The Proposed Final Dividend will be paid in form of a scrip dividend with shareholders of the Company (the "Shareholders") being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme will be subject to (i) Shareholders' approval of the Proposed Final Dividend at the Company's forthcoming annual general meeting (the "2013 AGM"); and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. The Proposed Final Dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent on or about 15th July, 2013 (Monday) to the Shareholders whose names appear on the register of members of the Company on 31st May, 2013 (Friday) (the "Record Date for Dividend").

On condition that the Proposed Final Dividend is approved by the Shareholders at the 2013 AGM, a circular containing details of the Scrip Dividend Scheme and the relevant election form will be dispatched to the Shareholders of the Company as soon as practicable after the Record Date for Dividend.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from 21st May, 2013 (Tuesday) to 23rd May, 2013 (Thursday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2013 AGM. In order to be eligible to attend and vote at the 2013 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 20th May, 2013 (Monday); and

(ii) from 29th May, 2013 (Wednesday) to 31st May, 2013 (Friday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the Proposed Final Dividend. In order to establish entitlements to the Proposed Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 28th May, 2013 (Tuesday).

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

INVESTMENT PROPERTIES

The Group's investment properties at 31st December, 2012 were revalued by an independent firm of professional property valuers on an open market value basis. Details of the movements in the investment properties of the Group during the year are set out in note 17 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent capital expenditure of approximately HK$57,862,000 on additions of property, plant and equipment, mostly for the expansion of property agency services throughout the People's Republic of China.

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

CONVERTIBLE NOTES

In August 2012, a subsidiary of the Company issued exchangeable bonds in an aggregate principal amount of HK$218,400,000 due 2015. Details of the exchangeable bonds of the Group are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2012 comprised the retained profits of approximately HK$328 million.

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Article of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

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

The Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2012.

BOARD OF DIRECTORS

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

Executive directors

Mr. Fu Wai Chung *(Chairman)*
Ms. Ng Wan
Ms. Fu Man
Mr. Lo Yat Fung

Independent non-executive directors

Mr. Lam King Pui
Mr. Ng Keung
Mrs. Wong Law Kwai Wah, Karen

In accordance with the provisions of the Company's Articles of Association, Messrs. Lo Yat Fung, Lam King Pui and Ng Keung retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period from the date of appointment up to his/her retirement by rotation as required by the provisions of the Company's Articles of Association.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for a duration of three years commencing from 1st April, 2004 and will continue thereafter until terminated by either party giving to the other not less than three months' advance written notice of termination.

Other than as disclosed above, none of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2012, the interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions:

(i) Ordinary share of HK$0.01 each and underlying shares under equity derivatives of the Company

	Number of shares				
Name of Director	Ordinary shares interest held under personal name	Ordinary shares interests held by controlled corporations	Underlying shares (under equity derivatives of the Company) (note 2)	Aggregate interest	Approximate percentage of the issued share capital
Mr. Fu Wai Chung ("Mr Fu")	380,242	167,827,180 (note 1)	–	168,207,422	35.15%
Ms. Ng Wan	380,242	–	–	380,242	0.08%

Notes:

1. These 167,827,180 shares are registered in the name of Fu's Family Limited which is held 70% by Mr. Fu, 15% by Ms. Ng Wan and the remaining 15% by Ms. Fu Man.

2. Details of share options movements are shown in the section of "Share Options".

(ii) Ordinary shares of US$1.00 each in Fu's Family Limited, the associated corporation of the Company

Name of director	Number of shares interest	Percentage of shareholding
Mr. Fu	70	70%
Ms. Ng Wan	15	15%
Ms. Fu Man	15	15%

Other than as disclosed above, none of the directors nor their associates had any interest or short position in any shares or underlying shares of the Company or any of its associated corporations as at 31st December, 2012.

SHARE OPTIONS

Particulars of the Company's share option scheme (the "Scheme") were set out in note 31 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Number of share options					
	As at 1st January, 2012	Exercised during the year	As at 31st December, 2012	Date of grant	Exercise period	Exercise price per share HK$
Directors						
Ms. Fu Man	3,120,000	(3,120,000)	–	16th December, 2009	16th December, 2009 to 15th December, 2012	1.97
Mr. Lo Yat Fung	3,696,000	(3,696,000)	–	16th December, 2009	16th December, 2009 to 15th December, 2012	1.97
Mr. Lam King Pui	237,600	(237,600)	–	16th December, 2009	16th December, 2009 to 15th December, 2012	1.97
Mr. Ng Keung	237,600	(237,600)	–	16th December, 2009	16th December, 2009 to 15th December, 2012	1.97
Mrs. Wong Law Kwai Wah, Karen	237,600	(237,600)	–	16th December, 2009	16th December, 2009 to 15th December, 2012	1.97
Others						
Employees	3,040,800	(3,040,800)	–	16th December, 2009	16th December, 2009 to 15th December, 2012	1.97
Total	10,569,600	(10,569,600)	–			

The total number of shares of the Company issuable upon exercise of all options may be granted under the Scheme is 29,600,000, representing 6.19% of the issued shares of the Company as at the date of this annual report.

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$2.47. No share options was granted, cancelled or lapsed during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme as disclosed above, at no time during the year was the Company, or any of its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, its subsidiaries or fellow subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions:

Name of shareholder	Capacity	Number of issued ordinary shares or underlying shares under derivatives held	Approximate percentage of the issued share capital of the Company
Mr. Fu	Beneficial owner/Held by controlled corporation/Spouse interests (note 1)	168,587,664	35.23%
Fu's Family Limited	Beneficial owner (note 1)	167,827,180	35.07%
Mutual Fund Populus & Elite	Custodian corporation	34,204,320	7.15%
Hang Seng Bank Trustee International Limited	Trustee (note 2)	28,282,000	5.91%
Cheah Capital Management Limited	Held by controlled corporation (note 2)	28,282,000	5.91%
Cheah Company Limited	Held by controlled corporation (note 2)	28,282,000	5.91%
Value Partners Group Limited	Held by controlled corporation (note 2)	28,282,000	5.91%
Cheah Cheng Hye ("Mr. Cheah")	Founder of the Trust (note 2)	28,282,000	5.91%
To Hau Yin	Interest of spouse (note 2)	28,282,000	5.91%
Li Gabriel	Held by controlled corporation (note 3)	98,284,366	20.54%
Lam Lai Ming	Held by controlled corporation (note 3)	98,284,366	20.54%
Areo Holdings Limited	Held by controlled corporation (note 3)	91,000,000	19.02%
OAV Holdings, L.P.	Held by controlled corporation (note 3)	90,000,000	18.81%
Orchid Asia V GP, Limited	Held by controlled corporation (note 3)	90,000,000	18.81%
Orchid Asia V Group Management, Limited	Held by controlled corporation (note 3)	90,000,000	18.81%
Orchid Asia V Group, Limited	Held by controlled corporation (note 3)	90,000,000	18.81%
Orchid Asia V, L.P.	Registered holder (note 3)	90,000,000	18.81%

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. Mr. Fu's interests include 167,827,180 shares held through Fu's Family Limited, 380,242 shares held by himself and 380,242 shares held by his spouse, Ms. Ng Wan, who is also the director of the Company.

2. These shares are held by Hang Seng Bank Trustee International Limited in its capacity as the trustee of a trust and held through Value Partners Group Limited, Cheah Company Limited and Cheah Capital Management Limited. Mr. Cheah is the founder of the trust and Ms. To Hau Yin as the spouse of Mr. Cheah is deemed to be interested in these shares.

3. The underlying share in form of exchangeable bonds are registered in the name of Orchid Asia V, L.P. which is held by OAV Holdings, L.P. and, indirectly held by Orchid Asia V GP, Limited, Orchid Asia V Group Management, Limited, Orchid Asia V Group, Limited and Areo Holdings Limited. Mr. Li and Ms. Lam who are controllers of Areo Holdings Limited are deemed to be interested in 91,000,000 underlying shares.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2012.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the independent non-executive directors as independent.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their expertise and job specifications.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS

The aggregate turnover attributable to the Group's five largest customers were less than 30% of total turnover.

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2012. Based on information that is publicly available to the Company and within the knowledge of the directors, the percentage of the ordinary shares in public hands exceeds 25% as at 21st March, 2013.

AUDITOR

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

On behalf of the Board

Fu Wai Chung
Chairman

Hong Kong
21st March, 2013

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF HOPEFLUENT GROUP HOLDINGS LIMITED
合富輝煌集團控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hopefluent Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 75, which comprise the consolidated statement of financial position as at 31st December, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21st March, 2013

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Turnover	7	1,781,635	1,611,013
Other income	9	8,508	6,691
Selling expenses		(1,144,395)	(1,073,235)
Administrative expenses		(349,332)	(350,613)
Other expenses		(5,908)	(4,368)
Share of losses of an associate	20	(5,172)	(1,298)
Finance costs	10	(17,180)	(3,091)
Profit before tax		268,156	185,099
Income tax expense	11	(82,498)	(50,304)
Profit for the year	12	185,658	134,795
Other comprehensive income			
Exchange differences arising on translation		6,093	37,320
Total comprehensive income for the year		191,751	172,115
Profit for the year attributable to:			
Owners of the Company		186,523	134,274
Non-controlling interests		(865)	521
		185,658	134,795
Total comprehensive income attributable to:			
Owners of the Company		192,481	171,062
Non-controlling interests		(730)	1,053
		191,751	172,115
Earnings per share	16		
— Basic		HK40.1 cents	HK29.3 cents
— Diluted		HK40.1 cents	HK29.0 cents

Consolidated Statement of Financial Position

At 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investment properties	17	35,582	34,439
Property, plant and equipment	18	271,846	299,209
Goodwill	19	15,858	15,781
Interest in an associate	20	137,675	141,825
		460,961	491,254
CURRENT ASSETS			
Accounts receivables	21	696,409	467,535
Other receivables and prepayments		56,484	50,833
Held for trading investments	22	5,584	453
Pledged bank deposits	23	24,784	–
Bank balances and cash	23	584,740	329,875
		1,368,001	848,696
CURRENT LIABILITIES			
Payables and accruals	24	130,460	127,188
Tax liabilities		85,449	63,569
Bank borrowings	25	93,243	53,457
		309,152	244,214
NET CURRENT ASSETS		1,058,849	604,482
TOTAL ASSETS LESS CURRENT LIABILITIES		1,519,810	1,095,736
CAPITAL AND RESERVES			
Share capital	26	4,785	4,593
Share premium and reserves		1,275,451	1,038,189
Equity attributable to owners of the Company		1,280,236	1,042,782
Non-controlling interests		17,967	28,765
TOTAL EQUITY		1,298,203	1,071,547
NON-CURRENT LIABILITIES			
Convertible notes	27	192,951	–
Deferred tax liabilities	28	28,656	24,189
		221,607	24,189
		1,519,810	1,095,736

The consolidated financial statements on pages 29 to 75 were approved and authorised for issue by the board of directors on 21st March, 2013 and are signed on its behalf by:

Fu Wai Chung	**Lo Yat Fung**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2012

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Convertible notes equity reserve HK$'000	Special reserve HK$'000 (note i)	Statutory surplus reserve HK$'000 (note ii)	Translation reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2011	3,805	412,388	–	5,760	54,822	67,411	9,096	370,282	923,564	25,573	949,137
Exchange differences arising on translation	–	–	–	–	–	36,788	–	–	36,788	532	37,320
Profit for the year	–	–	–	–	–	–	–	134,274	134,274	521	134,795
Total comprehensive income for the year	–	–	–	–	–	36,788	–	134,274	171,062	1,053	172,115
Bonus issue of shares	764	(764)	–	–	–	–	–	–	–	–	–
Exercise of share options	24	7,122	–	–	–	–	(1,852)	–	5,294	–	5,294
Dividends recognised as distribution (note 15)	–	(58,115)	–	–	–	–	–	–	(58,115)	–	(58,115)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	977	977	(1,088)	(111)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	3,227	3,227
Transfer	–	–	–	–	3,108	–	–	(3,108)	–	–	–
At 31st December, 2011	4,593	360,631	–	5,760	57,930	104,199	7,244	502,425	1,042,782	28,765	1,071,547
Exchange differences arising on translation	–	–	–	–	–	5,958	–	–	5,958	135	6,093
Profit for the year	–	–	–	–	–	–	–	186,523	186,523	(865)	185,658
Total comprehensive income for the year	–	–	–	–	–	5,958	–	186,523	192,481	(730)	191,751
Shares issued on scrip dividend	86	16,361	–	–	–	–	–	–	16,447	–	16,447
Recognition of equity component of convertible notes (note 27)	–	–	38,242	–	–	–	–	–	38,242	–	38,242
Exercise of share options	106	27,960	–	–	–	–	(7,244)	–	20,822	–	20,822
Dividends recognised as distribution (note 15)	–	(41,642)	–	–	–	–	–	–	(41,642)	–	(41,642)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	11,104	11,104	(11,276)	(172)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	1,208	1,208
Transfer	–	–	–	–	4,577	–	–	(4,577)	–	–	–
At 31st December, 2012	**4,785**	**363,310**	**38,242**	**5,760**	**62,507**	**110,157**	**–**	**695,475**	**1,280,236**	**17,967**	**1,298,203**

Notes:

(i) Special reserve

The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation on the basis that the group reorganisation had been effected on 24th June, 2004.

(ii) Statutory surplus reserve

As stipulated by the relevant laws and regulations of the People's Republic of China (the "PRC"), the Group's subsidiaries in the PRC shall set aside 10% of their profit after taxation for the statutory surplus reserve until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can only be used, upon approval by the Board of Directors of the PRC subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Profit before tax		268,156	185,099
Adjustments for:			
Depreciation of property, plant and equipment		81,643	61,487
Impairment losses on accounts receivables		4,145	439
Finance costs		17,180	3,091
Share of losses of an associate	20	5,172	1,298
(Gain) loss on fair value changes of held for trading investments		(75)	667
(Gain) loss on disposal and write-off of property, plant and equipment		(367)	782
Fair value gain on disposal of investment properties		(366)	–
Interest income		(1,493)	(1,338)
Operating cash flows before movements in working capital		373,995	251,525
Increase in accounts receivables		(230,156)	(148,899)
(Increase) decrease in other receivables and prepayments		(5,637)	18,158
(Increase) decrease in held for trading investments		(5,043)	114
Increase (decrease) in payables and accruals		2,638	(12,338)
Cash generated from operations		135,797	108,560
PRC income tax paid		(56,647)	(52,946)
NET CASH FROM OPERATING ACTIVITIES		79,150	55,614
INVESTING ACTIVITIES			
Interest received		1,493	1,338
Proceeds on disposal of property, plant and equipment		5,350	975
Proceeds on disposal of investment properties		4,441	–
Purchase of property, plant and equipment		(57,862)	(98,431)
Purchase of investment properties		(5,047)	–
Placement of pledged bank deposits		(24,723)	–
NET CASH USED IN INVESTING ACTIVITIES		(76,348)	(96,118)
FINANCING ACTIVITIES			
Proceeds on issue of convertible notes	27	218,400	–
Proceeds on issue of shares due to exercise of share options		20,822	5,294
New bank borrowings raised		93,014	54,244
Capital contribution from non-controlling interests		1,208	3,227
Acquisition of additional interest in a subsidiary		(172)	(111)
Interest paid		(4,387)	(3,091)
Dividends paid		(25,195)	(58,115)
Repayment of bank borrowings		(53,589)	(41,455)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		250,101	(40,007)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		252,903	(80,511)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		329,875	396,508
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		1,962	13,878
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		584,740	329,875

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi ("RMB"). The directors selected Hong Kong dollars as the presentation currency because the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 34.

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

In the current year, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

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

Except as described below, the application of amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

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

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties located in the PRC are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted. As there have been no significant changes in fair value since acquisition, the application of amendments to HKAS 12 has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

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

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

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

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

The directors anticipate that HKFRS 9 will be adopted by the Group for annual period beginning on 1st January, 2015 and that the adoption of HKFRS 9 in the future is unlikely to have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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

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

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

Key requirements of HKFRS 10 and HKFRS 12 are described below.

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

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

In July, 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time. These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1st January, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013. Except for HKFRS 12 which resulted in more extensive disclosures, the directors anticipate that the adoption of the remaining standards in the future will not have significant impact to the Group.

HKFRS 13 Fair Value Measurement

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

The directors anticipate that HKFRS 13 will be adopted by the Group for the annual period beginning on 1st January, 2013 and that the application of the new standard is not expected to have material impact on the amounts reported in the consolidated financial statements but would result in more extensive disclosures in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

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

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 also require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for annual period beginning 1st January, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

Except those mentioned above, the directors of the Company anticipate that the application of other new and revised standard, amendments and interpretation will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties, held for trading investments and the derivative component of the convertible notes that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

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

Business combinations

Acquisition of businesses occurred prior to 1st January, 2010 was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of business tax and other taxes.

Agency commission and conveyancing services income from property brokering is recognised when a buyer and seller execute a legally binding sale agreement and when the relevant agreement becomes unconditional and irrevocable.

Marketing, development and planning consultancy and property management services income is recognised when the services are provided.

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

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the period of the relevant leases.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

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

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the supply of services or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as expenses on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Borrowing costs

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

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as expenses when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted.

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as accounts receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from 30 to 120 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

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For the year ended 31st December, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible notes contain debt and equity component

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible notes contain debt and equity component (Continued)

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

Other financial liabilities

Other financial liabilities (including payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Impairment losses on tangible assets

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Estimated impairment of accounts receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2012, the carrying amount of accounts receivables is HK$696,409,000 (net of allowance for doubtful debts of HK$13,579,000) (2011: carrying amount of HK$467,535,000, net of allowance for doubtful debts of HK$9,434,000).

Estimated useful lives of property, plant and equipment

Management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. As at 31st December 2012, the carrying amount of property, plant and equipment of the Group amounted to HK$271,846,000 (2011: HK$299,209,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2012, the carrying amount of goodwill is HK$15,858,000 (2011: HK$15,781,000). Details of the recoverable amount calculation are disclosed in note 19.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes the bank borrowings and convertible notes disclosed in notes 25 and 27 respectively, net of cash and cash equivalents disclosed in note 23, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debts or the redemption of existing debts.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,332,879	819,985
Held for trading investments	5,584	453
Financial liabilities		
Amortised cost	306,786	72,489

6b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivables, other receivables, held for trading investments, pledged bank deposits, bank balances and cash, payables, bank borrowings and convertible notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency assets and liabilities, including bank balances and cash and payables, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets	
	2012 HK$'000	2011 HK$'000
HK$	24,409	2,878

Sensitivity analysis

The Group is mainly exposed to the currency risk of Hong Kong dollar ("HK$").

The following table details the Group's sensitivity to a 5% (2011: 5%) increase/decrease in HK$ against RMB. 5% (2011: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2011: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where HK$ strengthen 5% (2011: 5%) against RMB. For a 5% (2011: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the profit and the balance would be negative.

	HK$ Impact	
	2012 HK$'000	2011 HK$'000
Profit or loss	915	108

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. The Group's sensitivity to currency risk has increased during the current year mainly due to cash inflow of HK$ denominated bank balances as a result of the issue of convertible notes during the year. Details of which are set out note 27.

Interest rate risk

As at 31st December, 2012, the Group was exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and convertible notes.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank deposits because these balances carry interest at prevailing rates and they are of short maturity.

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arises.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and bank deposits. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2011: 25 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2011: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2012 would increase/decrease by HK$912,000 (2011: increase/decrease by HK$518,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year. The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in bank balances due to the issue of convertible notes during the year.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by closely monitoring the investment. As at 31st December, 2012, the Group's equity price risk is mainly concentrated on the equity instruments operating in different industry sectors listed on the Stock Exchange.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

If the prices of the equity instrument had been 5% (2011: 5%) higher/lower and all other variables were held constant for the year ended 31st December, 2012, the Group's post-tax profit for the year would increase/decrease by HK$212,000 (2011: HK$19,000) as a result of the changes in fair value of held for trading investments.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Credit risk

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

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2011: 100%) of the total accounts receivables as at 31st December, 2012. The Group also has concentration of credit risk as 5% (2011: 10%) and 2.1% (2011: 3%) of the total accounts receivables was due from the Group's five largest customers and largest customer, respectively, whom are within the property development business segment with good reputation and satisfactory repayment history.

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

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

Liquidity risk

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

In addition to financing financed by the Group's own capital and earnings, the Group relies on bank borrowings as an additional source of liquidity. As at 31st December, 2012, the Group has bank borrowings of approximately HK$93,243,000 (2011: HK$53,457,000). Furthermore, as at 31st December, 2012 and 2011, the Group had no unutilised bank facilities.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. 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. The table includes both interest and principal cash flows.

Liquidity risk tables

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2012 HK$'000
2012								
Non-derivative financial liabilities								
Payables	–	20,592	–	–	–	–	20,592	20,592
Bank borrowings — variable rate	6.95	–	45,157	37,789	–	–	82,946	81,159
Bank borrowing — fixed rate	6.60	–	–	12,879	–	–	12,879	12,084
Debt component of convertible notes	22.38	–	5,902	5,934	11,772	295,595	319,203	192,951
		20,592	51,059	56,602	11,772	295,595	435,620	306,786

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2011 HK$'000
2011						
Non-derivative financial liabilities						
Payables	–	19,032	–	–	19,032	19,032
Bank borrowings — variable rate	6.34	17,910	1,887	37,044	56,841	53,457
		36,942	1,887	37,044	75,873	72,489

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

6. FINANCIAL INSTRUMENTS (Continued)

6c. Fair value

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

- the fair values of financial assets and financial liabilities (excluding held for trading investment) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- the fair values of held for trading investment are determined with reference to quoted market bid prices.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the consolidated financial statements approximate to their corresponding fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable.

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

	Level 1 HK$'000	**Total HK$'000**
2012		
Financial assets at FVTPL		
Held for trading investments	**5,584**	5,584

	Level 1 HK$'000	Total HK$'000
2011		
Financial assets at FVTPL		
Held for trading investments	453	453

There is no transfer between level 1 and 2 during both years.

7. TURNOVER

Turnover represents agency commission and services income received and receivable from outside customers for the sales of properties in the PRC net of business tax and other taxes. An analysis of the Group's revenue for the year is as follows:

	2012 HK$'000	2011 HK$'000
Agency commission	**1,720,774**	1,567,669
Service income	**169,171**	142,061
Less: Business tax and other taxes	**(108,310)**	(98,717)
	1,781,635	1,611,013

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For the year ended 31st December, 2012

8. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

The Group is organised into three business divisions including primary property real estate agency services, secondary property real estate agency services and property management services which form the Group's three operating segments. Primary property real estate agency is the provision of first hand real estate services to property developers. Secondary property real estate agency is the provision of real estate services to individuals or companies. Property management is the provision of building management services to property owners.

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

For the year ended 31st December, 2012

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'000
Segment revenue	1,095,340	526,695	159,600	1,781,635
Segment profit	283,315	10,474	4,922	298,711
Other income				8,508
Central administrative costs				(16,711)
Share of losses of an associate				(5,172)
Finance costs				(17,180)
Profit before tax				268,156
Income tax expense				(82,498)
Profit for the year				185,658

For the year ended 31st December, 2011

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'000
Segment revenue	966,195	510,625	134,193	1,611,013
Segment profit	194,400	14,662	2,188	211,250
Other income				6,691
Central administrative costs				(28,453)
Share of losses of an associate				(1,298)
Finance costs				(3,091)
Profit before tax				185,099
Income tax expense				(50,304)
Profit for the year				134,795

8. SEGMENT INFORMATION (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Total segment revenue represents the Group's consolidated turnover as set out in the consolidated statement of comprehensive income. Segment profit represents the profit earned by each segment without allocation of other income, central administrative costs including directors' emoluments, share of losses of an associate and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

As the Group's segment assets and liabilities are not regularly reviewed by the chief operating decision maker, the measure of total assets and liabilities for each operating segment is therefore not presented.

Other segment information

2012

	Primary property real estate agency HK$'000	**Secondary property real estate agency HK$'000**	**Property management HK$'000**	**Total HK$'000**
Amount included in measure of segment profit or loss:				
Depreciation of property, plant and equipment	**21,868**	**58,593**	**1,182**	**81,643**
Impairment on accounts receivables	**–**	**4,145**	**–**	**4,145**
(Gain) loss on disposal and write-off of property, plant and equipment	**(596)**	**189**	**40**	**(367)**

2011

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'000
Amount included in measure of segment profit or loss:				
Depreciation of property, plant and equipment	16,326	44,205	956	61,487
Impairment on accounts receivables	–	439	–	439
Loss on disposal and write-off of property, plant and equipment	620	147	15	782

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

8. SEGMENT INFORMATION (Continued)

Geographical information

The Group's businesses are located in Hong Kong and other parts of the PRC. Majority of the Group's primary property real estate agency, secondary property real estate agency and property management businesses are located in the PRC. The Group's revenue is all derived from customers located in the PRC.

At the end of each reporting period, substantially all of the non-current assets are located in the PRC.

Information about major customers

There was no revenue from any customer that contributes over 10% of total revenue of the Group for both years.

9. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Rental income, net of negligible outgoings	3,743	2,614
Other services income	2,464	2,739
Bank interest income	1,493	1,338
Gain on disposal and write-off of property, plant and equipment	367	–
Fair value gain on disposal of investment properties	366	–
Gain on fair value changes of held for trading investments	75	–
	8,508	6,691

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on:		
Bank loans wholly repayable within five years	4,387	3,091
Effective interest on convertible notes	12,793	–
	17,180	3,091

11. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
PRC Enterprises Income Tax ("EIT")	78,161	49,297
Deferred tax (note 28)	4,337	1,007
	82,498	50,304

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

Certain of the Group's subsidiaries operating in the PRC are required to pay the PRC income tax on a deemed profit basis at a predetermined tax rate of 2.5% to 7.25% (2011: 2.5% to 5.0%) on turnover during the current year. The predetermined tax rate is agreed and determined between each PRC subsidiary and respective tax bureau of local government and is subject to annual review and renewal.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profits in Hong Kong for both years.

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

	2012 HK$'000	2011 HK$'000
Profit before tax	268,156	185,099
Tax at the applicable rate of 25%	67,039	46,275
Tax effect of share of losses of an associate	1,293	325
Tax effect of expenses not deductible for tax purpose	13,729	1,888
Tax effect of income not taxable for tax purpose	(41)	–
Effect of tax charged at predetermined tax rate on turnover entitled by certain subsidiaries operating in the PRC	721	1,526
Tax effect of tax loss not recognised	5,426	8,312
Utilisation of tax loss previously not recognised	(5,669)	(8,022)
Income tax expense for the year	82,498	50,304

Details of deferred tax are set out in note 28.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

12. PROFIT FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration, including retirement benefits scheme contributions (note 13)	8,174	8,093
Other staff costs	833,314	765,855
Other retirement benefits scheme contributions	68,151	57,235
Total staff costs	909,639	831,183
Auditor's remuneration	1,850	1,730
Depreciation of property, plant and equipment	81,643	61,487
Impairment losses on accounts receivables (included in other expenses)	4,145	439
(Gain) loss on fair value changes of held for trading investments (included in other income/other expenses)	(75)	667
(Gain) loss on disposal and write-off of property, plant and equipment (included in other income/other expenses)	(367)	782

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

For the year ended 31st December, 2012

	Mr. Fu Wai Chung HK$'000	Ms. Ng Wan HK$'000	Ms. Fu Man HK$'000	Mr. Lo Yat Fung HK$'000	Mr. Ng Keung HK$'000	Mr. Lam King Pui HK$'000	Mrs. Wong Law Kwai Wah, Karen HK$'000	Total HK$'000
Fees	–	–	–	–	66	132	198	396
Salaries and other benefits	2,033	1,873	2,276	1,540	–	–	–	7,722
Retirement benefits scheme contributions	14	14	14	14	–	–	–	56
Total emoluments	2,047	1,887	2,290	1,554	66	132	198	8,174

For the year ended 31st December, 2011

	Mr. Fu Wai Chung HK$'000	Ms. Ng Wan HK$'000	Ms. Fu Man HK$'000	Mr. Lo Yat Fung HK$'000	Mr. Ng Keung HK$'000	Mr. Lam King Pui HK$'000	Mrs. Wong Law Kwai Wah, Karen HK$'000	Total HK$'000
Fees	–	–	–	–	66	132	198	396
Salaries and other benefits	2,162	1,789	2,078	1,620	–	–	–	7,649
Retirement benefits scheme contributions	12	12	12	12	–	–	–	48
Total emoluments	2,174	1,801	2,090	1,632	66	132	198	8,093

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Mr. Fu Wai Chung is also the Chief Executive of the Company and his emoluments disclosed above include those services rendered by him as the Chief Executive.

The Group also provided rent-free accommodation to Mr. Fu Wai Chung for the years ended 31st December, 2012 and 2011. The estimated monetary value of the properties involved, which are owned by the Group, amounted to HK$840,000 (2011: HK$840,000).

For both 2012 and 2011, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for both 2012 and 2011.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2011: four) were directors of the Company, whose emoluments are included in note 13 above. The emoluments of the remaining individual was as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	840	870
Retirement benefits scheme contributions	14	12
	854	882

The emoluments of other individuals of senior management fell within the following bands:

	Number of individuals of senior management 2012	2011
Emolument bands		
HK$0-HK$1,000,000	16	16
HK$1,000,001-HK$2,000,000	–	–
	16	16

15. DIVIDENDS

	2012 HK$'000	2011 HK$'000
Dividends recognised as distribution during the year:		
2012 Interim — HK3.5 cents per share (2011: 2011 Interim — HK3.5 cents per share)	16,378	16,077
2011 Final — HK5.5 cents per share (2011: 2010 Final — HK11 cents per share)	25,264	42,038
	41,642	58,115

During the year ended 31st December, 2012, scrip alternative was offered in respect of 2011 final dividend. The scrip dividend alternative of HK$16,447,000 was accepted by certain shareholders of the Company. The remaining dividend had been distributed in form of cash.

The final dividend of HK9 cents per share in respect of the year ended 31st December, 2012 (2011: final dividend of HK5.5 cents per share in respect of the year ended 31st December, 2011) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

16. EARNINGS PER SHARE

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

Earnings

	2012 HK$'000	2011 HK$'000
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	186,523	134,274

Number of shares

	2012 '000	2011 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	464,905	458,891
Effect of dilutive potential ordinary shares — Share options	139	3,566
Weighted average number of ordinary shares for the purpose of diluted earnings per share	465,044	462,457

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31st December, 2011 had been adjusted for the bonus issues. Details of the bonus issues are set out in note 26.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earnings per share for the year ended 31st December, 2012.

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2011	33,021
Exchange adjustments	1,418
At 31st December, 2011	34,439
Additions	5,047
Disposals	(4,075)
Exchange adjustments	171
At 31st December, 2012	**35,582**

The fair values of the Group's investment properties at 31st December, 2012 and 2011 have been arrived at by directors' valuation with reference to the valuation carried out on that date by BMI Appraisals Limited, an independent qualified valuer not connected to the Group. BMI Appraisals Limited is a member of the Institute of Valuers. The valuation was based on the Comparison Approach assuming sales in their existing status and by making reference to market evidence of transaction prices for similar properties in the same locations and conditions. In the opinion of the directors, no material valuation surplus/deficit arises from the valuation as at 31st December, 2012 and 2011.

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

The investment properties of the Group are held under medium term land use rights in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Office equipment, furnitures and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1st January, 2011	90,895	244,702	111,912	41,926	489,435
Exchange adjustments	3,955	11,164	5,052	1,829	22,000
Additions	4,228	57,229	25,860	11,114	98,431
Disposals	–	–	(4,776)	(1,398)	(6,174)
At 31st December, 2011	99,078	313,095	138,048	53,471	603,692
Exchange adjustments	482	1,658	686	255	3,081
Additions	–	48,358	7,006	2,498	57,862
Disposals	(2,630)	(9,304)	(4,154)	(1,833)	(17,921)
At 31st December, 2012	**96,930**	**353,807**	**141,586**	**54,391**	**646,714**
DEPRECIATION					
At 1st January, 2011	17,136	132,956	63,512	23,064	236,668
Exchange adjustments	761	6,155	2,837	992	10,745
Provided for the year	2,095	38,927	13,612	6,853	61,487
Disposals	–	–	(3,617)	(800)	(4,417)
At 31st December, 2011	19,992	178,038	76,344	30,109	304,483
Exchange adjustments	104	1,026	398	152	1,680
Provided for the year	2,197	61,573	11,500	6,373	81,643
Disposals	(59)	(9,304)	(2,083)	(1,492)	(12,938)
At 31st December, 2012	**22,234**	**231,333**	**86,159**	**35,142**	**374,868**
CARRYING VALUES					
At 31st December, 2012	**74,696**	**122,474**	**55,427**	**19,249**	**271,846**
At 31st December, 2011	79,086	135,057	61,704	23,362	299,209

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

Leasehold land and buildings	Over the term of the leases or 40 years, whichever is shorter
Leasehold improvements	Over the term of the leases or 5 years, whichever is shorter
Office equipment, furnitures and fixtures	20%
Motor vehicles	20%

The leasehold land and buildings of the Group are held under medium term land use rights in the PRC.

19. GOODWILL

	HK$'000
COST	
At 1st January, 2011	15,608
Exchange adjustments	173
At 31st December, 2011	15,781
Exchange adjustments	77
At 31st December, 2012	**15,858**

For the purposes of impairment testing, goodwill as detailed above has been allocated to the subsidiaries as individual cash generating units (CGUs) from which goodwill arose. The carrying amount of goodwill as at 31st December, 2012 allocated to these units are as follows:

	2012 **HK$'000**	2011 HK$'000
Provision of estate management services in the PRC ("Unit A")	**3,010**	2,996
Provision of real estate agency services in the PRC ("Unit B")	**12,848**	12,785
	15,858	15,781

During the year ended 31st December, 2012, management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

The recoverable amount of the CGUs has been determined based on a value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 12.97% and 16.06% (2011: 14.16% and 17.25%) for Unit A and Unit B, respectively. The set of cash flows beyond five-year period are extrapolated using a decelerating growth rate from 10% to 5% (2011: a decelerating growth rate of 10% to 5%), as determined by management. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted building management fees and commission income of Unit A and Unit B respectively and respective profit margin, such estimation is based on unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGUs to exceed the aggregate recoverable amount.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2012

20. INTEREST IN AN ASSOCIATE

	2012 HK$'000	2011 HK$'000
Interest in an associate	137,230	137,230
Share of post-acquisition losses and other comprehensive expenses	(6,470)	(1,298)
Exchange adjustments	6,915	5,893
	137,675	141,825

As at 31st December, 2012 and 2011, the Group had interests in the following associated companies:

Name of Entity	Form of entity	Place of registration	Place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group Directly	Indirectly	Principal activities
Guangzhou Bao Lai Recycle Technology Company Ltd.	Establishment	The PRC	The PRC	Registered	26%	–	Investment holding
Guangzhou Hong Sheng Estate Company Ltd.	Establishment	The PRC	The PRC	Registered	–	13.3% (note)	Property development

Note: As at 31st December, 2012, Guangzhou Bao Lai Recycle Technology Company Ltd. held 51% of Guangzhou Hong Sheng Estate Company Ltd. This represents the effective interest held by the Company.

The summarised financial information in respect of the Group's associate is set out below:

	2012 HK$'000	2011 HK$'000
Total assets	2,209,798	1,483,195
Total liabilities	(1,682,165)	(921,517)
	527,633	561,678
Non-controlling interests	1,886	(16,197)
Net assets attributable to owners of the associate	529,519	545,481
Group's share of net assets of an associate	137,675	141,825

	2012 HK$'000	2011 HK$'000
Turnover	–	–
Losses and total comprehensive expenses for the year	(37,977)	(9,367)
Group's share of losses and comprehensive expenses of an associate for the year	(5,172)	(1,298)

21. ACCOUNTS RECEIVABLES

The Group allows an average credit period ranging from 30 to 120 days to its customers. The aged analysis of accounts receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2012 HK$'000	2011 HK$'000
Accounts receivables		
0–30 days	349,123	195,445
31–60 days	198,484	154,234
61–90 days	92,800	74,543
91–120 days	41,397	29,542
121–180 days	14,605	13,771
	696,409	467,535

Included in the Group's accounts receivables balance are debtors with aggregate carrying amount of HK$14,605,000 (2011: HK$13,771,000) which are past due as at the reporting date for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated.

Before accepting any new customer, the Group assesses the potential customer's credit quality. The credit quality is reviewed periodically. Majority of the accounts receivables that are neither past due nor impaired have no default payment history. The Group does not hold any collateral over these balances.

Ageing of accounts receivables which are past due but not impaired

	2012 HK$'000	2011 HK$'000
121–150 days	9,906	13,701
151–180 days	4,699	70
	14,605	13,771

Movement in the allowance for doubtful debts

	2012 HK$'000	2011 HK$'000
At 1st January	9,434	8,995
Impairment losses recognised on receivables	4,145	439
At 31st December	13,579	9,434

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22. HELD FOR TRADING INVESTMENTS

	2012 HK$'000	2011 HK$'000
Listed securities:		
— Equity securities listed in Hong Kong	528	453
— Equity securities listed in PRC	5,056	–
	5,584	453

23. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits that are interest-bearing at market interest rate ranging from 0.01% to 3.80% (2011: 0.01% to 3.30%) and have original maturity of three months or less.

The Group's significant cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	2012 HK$'000	2011 HK$'000
HK$	24,409	149

Deposits amounting to HK$24,784,000 (2011: nil) have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

24. PAYABLES AND ACCRUALS

The payables and accruals mainly comprise deposits received, receipts in advance, accrued salary and other sundry creditors.

25. BANK BORROWINGS

	2012 HK$'000	2011 HK$'000
Secured	93,243	53,457

The above bank borrowings are all repayable within one year.

As at 31st December, 2012 and 2011, all bank borrowings of the Group were secured by certain of the Group's bank deposits, investment properties and leasehold land and buildings. Details of pledge of assets are set out in note 29.

The Group's bank borrowings carry interest at variable rates which are mainly subject to interest at People's Bank of China plus a spread, ranging from 10% to 20%. The ranges of effective interest rates on the Group's borrowings are as follows:

	Year ended 2012	Year ended 2011
Effective interest rate:		
Fixed-rate bank borrowings	6.60%	N/A
Variable-rate bank borrowings	5.60% to 7.87%	5.31% to 8.53%

As at 31st December, 2012 and 2011, the Group's borrowings are all denominated in RMB.

26. SHARE CAPITAL

	Number of shares	Nominal amounts HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	8,000,000,000	80,000
Issued and fully paid:		
At 1st January, 2011	380,540,000	3,805
Bonus issue of shares (note a)	76,433,200	764
Exercise of share options (note b)	2,365,200	24
At 31st December, 2011	459,338,400	4,593
Exercise of share options (note b)	10,569,600	106
Shares issued for scrip dividend (note c)	8,610,865	86
At 31st December, 2012	**478,518,865**	**4,785**

Notes:

(a) On 23rd June, 2011, 76,433,200 ordinary shares of the Company of HK$0.01 each were issued on a fifth-to-one basis by way of capitalisation of part of the Company's share premium. Details of the bonus issues were set out in the circular of the Company dated 14th April, 2011.

(b) During the year ended 31st December, 2012, a total of 10,569,600 (2011: 2,365,200) share options of the Company had been exercised at the aggregate consideration of HK$20,822,000 (2011: HK$5,294,000). Details of the movement in share options were set out in note 31.

(c) During the year ended 31st December, 2012, 8,610,865 shares of HK$0.01 each in the Company were issued at HK$1.91 per share to the shareholders of the Company who elected to receive scrip shares in lieu of cash, for the final dividend for the year ended 31st December, 2011 pursuant to the scrip dividend scheme announced by the Company on 31st May, 2012.

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27. CONVERTIBLE NOTES

On 29th August, 2012, a subsidiary of the Company, having Hong Kong dollar as its functional currency, issued Hong Kong dollar denominated convertible notes with an aggregate principal amount of HK$218,400,000 due in 2015 bearing interest at the rate of 2.695% per 6-month period payable in arrear. Each note entitles the holder to convert to one ordinary share of the Company at a conversion price of HK$2.40 per share (subject to anti-dilutive adjustments).

Conversion of principal amount of HK$48,000,000 may occur at any time between 30th August, 2012 and 28th August, 2015 and the conversion of the remaining HK$170,400,000 may occur at any time between 1st January, 2013 and 28th August, 2015. From the date which is the next day after the expiry of a 6-month period after the date of the issue of the convertible notes (i.e. 1st March, 2013), if the market price is higher than the reference price of HK$3.6 per share, the bondholders shall, during the period of 6 months after the market price of a share first exceeds the reference price, exercise their convertible notes such that an aggregate of HK$48,000,000 in the principal amount of the convertible notes shall have been exchanged for the shares. If the notes have not been converted, they will be redeemed on 28th August, 2015 at its principal amount with a premium of 30% of the principal amount and accrued interest and unpaid interest thereon.

The convertible notes contain two components, including debt and conversion option (details of the terms are set out in the announcement dated 1st August, 2012). The conversion option component, which will be settled by the exchange of a fixed amount of cash in Hong Kong dollar for a fixed number of the Company's shares, is presented in equity heading "convertible notes equity reserve". The effective interest rate of the debt component is 22.38% per annum.

	HK$'000
Proceeds of issue	218,400
Debt component at date of issue	(180,158)
Equity component	38,242

Movement of convertible notes is as follows:

	Debt Component HK$'000
At 1st January, 2011 and 2012	–
Issue of convertible notes	180,158
Interest charge calculated at an effective rate of 22.38%	12,793
At 31st December, 2012	**192,951**

28. DEFERRED TAX LIABILITIES

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

	Revenue recognised for accounting purpose but not for tax purpose HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January, 2011	3,219	18,428	21,647
(Credit) charge to profit or loss (note 11)	(3,902)	4,909	1,007
Exchange adjustments	683	852	1,535
At 31st December, 2011	–	24,189	24,189
Credit to profit or loss (note 11)	5,051	(714)	4,337
Exchange adjustments	13	117	130
At 31st December, 2012	**5,064**	**23,592**	**28,656**

At 31st December, 2012, the Group's PRC subsidiaries had unused tax losses of approximately HK$96,109,000 (2011: HK$108,761,000) available for offset against future profits. An analysis of the expiry dates of the tax losses is as follows:

	2012 HK$'000	2011 HK$'000
2013	51,811	58,193
2014	2,421	3,902
2015	17,845	19,660
2016	14,008	27,006
2017	10,024	–
	96,109	108,761

In addition, the Group (other than its subsidiaries in the PRC) had unused tax losses of approximately HK$45,702,000 (2011: HK$34,022,000) available for offset against future profits. Such unrecognised tax losses may be carried forward indefinitely.

No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$803,819,000 (2011: HK$567,466,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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For the year ended 31st December, 2012

29. PLEDGE OF ASSETS

The Group had pledged the following assets for banking facilities granted to the Group:

	2012 HK$'000	2011 HK$'000
Bank deposits	24,784	–
Investment properties	4,825	32,152
Leasehold land and buildings	58,954	49,853
	88,563	82,005

30. OPERATING LEASES

The Group as lessee

The Group made minimum lease payments under operating leases in respect of office premises and shops of HK$103,694,000 (2011: HK$106,637,000).

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

	2012 HK$'000	2011 HK$'000
Within one year	63,524	90,614
In the second to fifth year inclusive	65,257	120,786
Over five years	477	1,765
	129,258	213,165

Operating lease payments represent rentals payable by the Group for certain of its office premises and shops. Leases are negotiated and rentals are fixed for lease terms of one to eight years (2011: one to eight years).

The Group as lessor

Property rental income earned during the year was approximately HK$3,743,000 (2011: HK$2,614,000). All of the investment properties held have committed tenants for the next one to ten years (2011: one to ten years).

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

	2012 HK$'000	2011 HK$'000
Within one year	2,644	2,157
In the second to fifth year inclusive	4,221	3,547
Over five years	281	98
	7,146	5,802

31. SHARE OPTIONS SCHEME

The Company's share option scheme ("the Scheme"), was adopted pursuant to a resolution passed on 24th June, 2004 for the primary purpose of providing incentives or rewards to directors, eligible employees and advisors and consultants of the Group for their contributions to the Group. Under the Scheme, the board of directors of the Company (the "Board") may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 15th July, 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption on 24th June, 2004.

The offer of the grant of share options may be accepted within 28 days from the date of the offer, at a consideration of HK$1, payable by the grantee upon the acceptance of the offer. The options may be exercised at any time within the period commencing from the date of grant of the option and expiring on the date following 10 years from the date of acceptance of the grant of the options. Unless otherwise determined by the executive directors, the Scheme does not require a minimum period for which the options must be held or a performance target which must be achieved before the options can be exercised.

The subscription price of the share options is determinable by the directors, but shall be the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share of the Company.

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Scheme and had been fully utilised by the Company. On 9th June, 2010, the Company's shareholders passed an ordinary resolution to refresh the 10% general limit under the Scheme. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. Such participant and his associates (as defined in the Listing Rules) have to abstain from voting and/or comply with other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's shares in issue and with a value in excess of HK$5 million within any 12-month period must be approved in advance by the Company's shareholders.

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31. SHARE OPTIONS SCHEME (Continued)

The following table disclose movements of the Company's share options held by directors and employees during the year, all the options have vesting date of 16th December, 2009, exercisable period from 16th December, 2009 to 15th December, 2012 and adjusted exercise price of HK$1.97 (2011: HK$1.97) per share:

Directors	Outstanding at 1st January, 2012	Exercised during the year	Outstanding at 31st December, 2012
Ms. FU Man	3,120,000	(3,120,000)	–
Mr. LO Yat Fung	3,696,000	(3,696,000)	–
Mr. LAM King Pui	237,600	(237,600)	–
Mr. NG Keung	237,600	(237,600)	–
Mrs. WONG LAW Kwai Wah, Karen	237,600	(237,600)	–
Directors in aggregate	7,528,800	(7,528,800)	–
Employees in aggregate	3,040,800	(3,040,800)	–
Total	10,569,600	(10,569,600)	–
Exercisable at the end of the year			–
Weighted average exercise price	HK$1.97	HK$1.97	N/A

Directors	Outstanding at 1st January, 2011	Exercised during the year (before bonus issue of shares)	Adjustments upon bonus issue of shares	Exercised during the year (after bonus issue of shares)	Outstanding at 31st December, 2011
Mr. FU Wai Chung	308,000	–	61,600	(369,600)	–
Ms. NG Wan	308,000	–	61,600	(369,600)	–
Ms. FU Man	3,080,000	(480,000)	520,000	–	3,120,000
Mr. LO Yat Fung	3,080,000	–	616,000	–	3,696,000
Mr. LAM King Pui	198,000	–	39,600	–	237,600
Mr. NG Keung	198,000	–	39,600	–	237,600
Mrs. WONG LAW Kwai Wah, Karen	198,000	–	39,600	–	237,600
Directors in aggregate	7,370,000	(480,000)	1,378,000	(739,200)	7,528,800
Employees in aggregate	3,680,000	(1,146,000)	506,800	–	3,040,800
Total	11,050,000	(1,626,000)	1,884,800	(739,200)	10,569,600
Exercisable at the end of the year					10,569,600
Weighted average exercise price	HK$2.36	HK$2.36	HK$1.97	HK$1.97	HK$1.97

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$2.50 (2011: HK$3.80).

During the years ended 31st December, 2012 and 2011, no expense in relation to share options has been recognised.

32. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of HK$1,000 per month for the period from 1st January, 2012 to 31st May, 2012 or HK$1,250 per month start from 1st June, 2012 or 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

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

33. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of key management during the year is as follows:

	2012 HK$'000	2011 HK$'000
Short term benefits	8,958	8,915
Post-employment benefits	70	60
	9,028	8,975

The remuneration of key management including directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up/registered share capital	Attributable equity interest (note a) 2012 %	2011 %	Principal activities	Place of operation
Guangdong Hope Real Properties Limited (note b)	13th February, 1996 The PRC	Registered	RMB10,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Guangzhou New Profits Properties Agency Limited (note c)	12th May, 1998 The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Hopefluent (BVI) Limited (note c)	8th August, 2002 British Virgin Islands ("BVI")	N/A	US$100	100	100	Investment holding	Hong Kong
Sino Estate Holdings Limited (note c)	6th November, 2003 BVI	N/A	US$100	100	100	Investment holding	Hong Kong
Guangzhou Hope Profits Properties Agency Limited (note c)	16th March, 1998 The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Hopefluent (China) Real Properties Consultancy Limited (note c)	31st July, 2001 The PRC	Registered	HK$50,000,000	100	100	Provision of real estate agency services in the PRC	The PRC

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34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up/registered share capital	Attributable equity interest (note a) 2012 %	2011 %	Principal activities	Place of operation
Tianjin Hopefluent Real Properties Sales and Marketing Limited (note c)	14th March, 2002 The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Hopefluent Properties Limited (note c)	7th September, 2001 Hong Kong	Ordinary	HK$100	100	100	Provision of real estate agency services	Hong Kong
Hopefluent Promotion Limited (note c)	5th October, 2001 Hong Kong	Ordinary	HK$100	100	100	Provision of advertising and marketing services	Hong Kong
Hopefluent (Hong Kong) Limited (note c)	11th May, 2001 Hong Kong	Ordinary	HK$100,000	100	100	Investment holding	Hong Kong
Foshan Hopefluent Real Properties Consultancy Limited (note c)	1st September, 2003 The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Dongguan Hopefluent Real Properties Consultancy Limited (note c)	4th November, 2003 The PRC	Registered	RMB1,000,000	100	86	Provision of real estate agency services in the PRC	The PRC
Hubei Hopefluent Real Properties Consultancy Limited (note c)	1st April, 2004 The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Shanghai Hope Realty Consultancy Limited (note b)	29th October, 2004 The PRC	Registered	RMB10,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Shanghai Hopefluent Real Properties Consultancy Limited (note b)	19th October, 2004 The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Asia Asset Property (China) Limited (note c)	27th February, 1998 Hong Kong	Ordinary	HK$5,323,000	80	80	Investment holding	Hong Kong
Asia Asset Property Services (Shanghai) Co., Ltd (note b)	10th August, 1998 The PRC	Registered	US$630,000	80	80	Provision of property management services in the PRC	The PRC
Asia Asset Property Services (Guangzhou) Co., Ltd (note b)	5th August, 1999 The PRC	Registered	RMB5,000,000	80	80	Provision of property management services in the PRC	The PRC
Asia Asset Property Services (Wuhan) Co., Ltd (note b)	26th June, 1995 The PRC	Registered	HK$5,000,000	80	80	Provision of property management services in the PRC	The PRC
Beijing Hopefluent Real Properties Consultancy Limited (note c)	19th May, 1995 The PRC	Registered	RMB2,000,000	100	100	Provision of real estate agency services in the PRC	The PRC

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up/registered share capital	Attributable equity interest (note a) 2012 %	2011 %	Principal activities	Place of operation
Bola Realty Guarantee (Guangzhou) Limited (note c)	7th August, 2002 The PRC	Registered	RMB101,000,000	97	97	Provision of mortgage referral services in the PRC	The PRC
Guangdong Hopefluent Real Properties Consultancy Limited (note c)	11th August, 2005 The PRC	Registered	RMB5,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Henan Hopefluent Real Properties Consultancy Limited (note c)	16th November, 2004 The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Jinan Hopefluent Real Properties Consultancy Limited (note c)	8th April, 2005 The PRC	Registered	RMB2,010,000	100	100	Provision of real estate agency services in the PRC	The PRC
Anhui Hopefluent Real Properties Consultancy Limited (note c)	9th September, 2005 The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Jun Hua Auction (Guangzhou) Limited (note c)	20th August, 2004 The PRC	Registered	RMB12,000,000	80	80	Provision of property auction services in the PRC	The PRC
Guangzhou Bright Profits Properties Agency Limited (note c)	9th December, 2005 The PRC	Registered	RMB2,000,000	72.5	72.5	Provision of real estate agency services in the PRC	The PRC
Qingyuan Hopefluent Real Properties Consultancy Limited (note c)	27th April, 2007 The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Guangdong Wanjia Information Company Limited (note c)	19th April, 2005 The PRC	Registered	RMB5,000,000	100	100	Investment holding	The PRC
Guizhou Hopefluent Real Properties Consultancy Limited (note c)	17th September, 2008 The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Firstnet Group Ltd. (note c)	1st July, 2008 BVI	Ordinary	US$1.00	100	100	Investment holding	Hong Kong
Top Trade International Investment Ltd. (note c)	22nd May, 2009 Hong Kong	Ordinary	HK$1.00	100	100	Investment holding	Hong Kong
Guangzhou Hopefluent Recycle Technology Company Limited (formerly known as Guangzhou Gui Chuang Recycle Technology Company Limited) (note c)	31st August, 2009 The PRC	Registered	HK$3,000,000	100	100	Investment holding	The PRC

Notes:

(a) The Company directly holds the equity interest in Hopefluent (BVI) Limited. All other interests shown above are indirectly held by the Company.

(b) The companies are sino-foreign equity joint ventures with limited liability.

(c) The companies are limited liability companies.

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34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Except for a subsidiary, Hopefluent Properties Limited had issued HK$218,400,000 convertible notes as disclosed in note 27 which were all held by third parties at the end of the year, none of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Group as at 31st December, 2012 and 2011 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

35. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	2012 HK$'000	2011 HK$'000
Non-current Asset		
Unlisted investments in subsidiaries	108,795	70,280
Current Assets		
Other receivables	192	191
Amounts due from subsidiaries	283,016	309,657
Bank balances and cash	20,942	149
	304,150	309,997
Current Liability		
Accruals	(54)	(54)
Net Current Assets	304,096	309,943
Total Assets less Current Liability	412,891	380,223
Capital and Reserves		
Share capital (note 26)	4,785	4,593
Share premium and reserves	346,429	375,630
Total Equity	351,214	380,223
Non-current Liability		
Derivative financial liability	61,677	–
	412,891	380,223

35. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

Movement in reserves

	Share capital HK$'000	Share premium HK$'000	Contributed surplus reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2011	3,805	412,388	67,385	9,096	651	(61,757)	431,568
Loss for the year	–	–	–	–	–	(15,657)	(15,657)
Exchange differences arising on translation	–	–	–	–	17,133	–	17,133
Total comprehensive income for the year	–	–	–	–	17,133	(15,657)	1,476
Bonus issue of share	764	(764)	–	–	–	–	–
Exercise of share option	24	7,122	–	(1,852)	–	–	5,294
Dividends recognised as distribution	–	(58,115)	–	–	–	–	(58,115)
At 31st December, 2011	4,593	360,631	67,385	7,244	17,784	(77,414)	380,223
Loss for the year	–	–	–	–	–	(25,168)	(25,168)
Exchange differences arising on translation	–	–	–	–	532	–	532
Total comprehensive expense for the year	–	–	–	–	532	(25,168)	(24,636)
Shares issued on scrip dividend	86	16,361	–	–	–	–	16,447
Exercise of share option	106	27,960	–	(7,244)	–	–	20,822
Dividends recognised as distribution	–	(41,642)	–	–	–	–	(41,642)
At 31st December, 2012	**4,785**	**363,310**	**67,385**	**–**	**18,316**	**(102,582)**	**351,214**

The contributed surplus of the Company represents the difference between the aggregate net tangible assets of the subsidiaries acquired by the Company under a corporate reorganisation in 2004 and the nominal amount of the Company's shares issued for the acquisition.

Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is as follows:

	For the year ended 31st December,				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
RESULTS					
Turnover	683,927	995,450	1,327,796	1,611,013	**1,781,635**
Profit (loss) before tax	(61,395)	168,398	254,927	185,099	**268,156**
Income tax expense	(17,753)	(40,028)	(78,584)	(50,304)	**(82,498)**
Profit (loss) for the year	(79,148)	128,370	176,343	134,795	**185,658**
Attributable to:					
Owners of the Company	(75,176)	125,586	171,494	134,274	**186,523**
Non-controlling interests	(3,972)	2,784	4,849	521	**(865)**
	(79,148)	128,370	176,343	134,795	**185,658**

	At 31st December,				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	675,003	863,694	1,210,324	1,339,950	**1,828,962**
Total liabilities	181,347	227,072	261,187	268,403	**530,759**
Total equity	493,656	636,622	949,137	1,071,547	**1,298,203**
Attributable to:					
Owners of the Company	471,427	615,302	923,564	1,042,782	**1,280,236**
Non-controlling interests	22,229	21,320	25,573	28,765	**17,967**
	493,656	636,622	949,137	1,071,547	**1,298,203**