Madex International (Holdings) Limited
盛明國際(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00231)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The directors (the "Directors") of Madex International (Holdings) Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2012 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Revenue	*4*	**26,702**	27,310
Cost of sales		**(6,933)**	(7,031)
Gross profit		**19,769**	20,279
Other revenue	*4*	**8,061**	468
Distribution costs		**-**	(3)
Administrative expenses		**(47,054)**	(37,469)
Finance costs	*5*	**(42,683)**	(25,401)
Fair value change in investment properties		**92,285**	155,158
Fair value change on derivative financial assets		**10,453**	(107,767)
Fair value change on derivative financial liabilities		**2,557**	70,341
Fair value change on contingent consideration		**(1,546)**	7,419
Written back of impairment loss in respect of other receivables		**289**	1,309
Impairment loss on goodwill		**(9,780)**	-
Impairment loss recognised in respect of trade and other receivables		**(377)**	(16)
Share of profits of a jointly controlled entity		**3,507**	4,375
Profit before tax		**35,481**	88,693
Income tax expenses	*6*	**(23,071)**	(38,789)
Profit for the year	*7*	**12,410**	49,904
Profit for the year attributable to owners of the Company		**16,925**	49,824
(Loss) / profit for the year attributable to non-controlling interests		**(4,515)**	80
		12,410	49,904
Earnings per share	*8*		
- Basic and diluted		**0.17 cents**	0.82 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	2012	2011
	HK$'000	HK$'000
Profit for the year	**12,410**	49,904
Other comprehensive income		
Exchange differences arising on translation of foreign operations:		
Exchange differences arising during the year	**11,999**	48,614
Other comprehensive income for the year	**11,999**	48,614
Total comprehensive income for the year	**24,409**	98,518
Total comprehensive income / (expense) attributable to:		
Owners of the Company	**29,148**	98,279
Non-controlling interests	**(4,739)**	239
	24,409	98,518

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**32,212**	35,345
Prepaid lease payments		**-**	4,632
Investment properties		**3,098,756**	2,898,148
Intangible asset		**42,305**	45,491
Available-for-sale investments		**-**	-
Interest in a jointly controlled entity		**43,725**	40,218
		3,216,998	3,023,834
CURRENT ASSETS			
Inventories		**-**	598
Trade and other receivables	*9*	**22,018**	18,937
Pledged bank balances		**135**	4,031
Derivative financial assets		**30,852**	57,660
Bank balances and cash		**6,909**	11,646
		59,914	92,872
CURRENT LIABILITIES			
Other payables	*10*	**200,326**	193,488
Borrowings		**148,413**	96,161
Tax liabilities		**210**	210
Amount due to a related party		**2,564**	1,856
Amount due to a shareholder		**86,172**	34,031
Amount due to a jointly controlled entity		**7,274**	5,274
Derivative financial liabilities		**97,528**	282,904
		542,487	613,924
NET CURRENT LIABILITIES		**(482,573)**	(521,052)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,734,425**	2,502,782
CAPITAL AND RESERVES			
Share capital		**542,218**	415,366
Reserves		**934,676**	697,452
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,476,894**	1,112,818
NON-CONTROLLING INTERESTS		**-**	4,739
TOTAL EQUITY		**1,476,894**	1,117,557
NON-CURRENT LIABILITIES			
Borrowings		**462,687**	451,330
Deferred tax liabilities		**467,349**	440,577
Convertible notes		**113,543**	280,912
Provision for contingent consideration		**213,952**	212,406
		1,257,531	1,385,225
		2,734,425	2,502,782

Notes:

1. Basis of preparation

The Group's current liabilities exceeded its current assets by approximately HK$482,573,000 as at 31 December 2012. Nevertheless, the consolidated financial statements of the Group have been prepared by the directors of the Company on a going concern basis.

In the opinion of directors of the Company, the Group is able to maintain itself as a going concern in the coming year by taking into consideration that:

(i) the Group is able to generate positive cash flows.

(ii) a standby loan facility of RMB155,000,000 (approximately HK$192,786,000) has been granted to the Group from 10 March 2013 to 10 September 2014 per a loan confirmation letter signed on 10 March 2013. The terms of the loan including interests charged, securities/guarantee provided, loan period and repayment terms are negotiable upon the withdrawal of loans.

(iii) bank loans with the aggregate carrying amount of approximately HK$16,637,000 that are repayable more than one year after the end of the reporting period per loan agreements, with repayment on demand clause, have been classified as current liabilities as at 31 December 2012 in order to comply with the requirements set out in Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause. Taking into account the Group's financial position, the directors of the Company believe that the bank will not exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

(iv) as at 31 December 2012, included in the current liabilities of the Group was derivative financial liabilities of approximately HK$97,528,000 which represented an option to ensure the holders to subscribe for convertible notes to be issued with a maturity date of 5 years upon issuance of the convertible notes on 7 July 2011. Such derivative financial liabilities shall not have any cash outflow impact on the Group.

Accordingly, the directors of the Company are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. Application of new and revised Hong Kong financial reporting standards ("HKFRSs")

New standards, amendments and interpretations to HKFRS that are effective for accounting periods beginning on or after 1 January 2012.

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2012.

HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (Cont'd)

The adoption of the new and revised HKFRSs in the current year has no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle except for HKAS1(Amendments) (2)
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures (4)
HKFRS 9	Financial Instruments (4)
HKFRS 10	Consolidated Financial Statements (2)
HKFRS 11	Joint Arrangements (2)
HKFRS 12	Disclosure of Interests in Other Entities (2)
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (2)
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities (3)
HKFRS 13	Fair Value Measurement (2)
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income (1)
HKAS 19 (as revised in 2011)	Employee Benefits (2)
HKAS 27 (as revised in 2011)	Separate Financial Statements (2)
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures (2)
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities (3)
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine (2)

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

The directors are in the process of making an assessment of the potential impacts of these new and revised HKFRSs and they are so far concluded that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performances focuses more specifically on the nature of industries.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

Property leasing	Property leased for rental income
Right to receive royalty fee	Royalty fee related to the royalty right leasing
Trading of goods	Trading of goods

3. SEGMENT INFORMATION (Cont'd)

Segment revenues and results

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

For the year ended 31 December 2012

	Property leasing	Right to receive royalty fee	Trading of goods	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	19,316	7,366	20	26,702
Segment profit / (loss)	96,843	(3,293)	(737)	92,813
Unallocated corporate expenses				(18,353)
Unallocated other revenue				197
Share of profits of a jointly controlled entity				3,507
Finance costs				(42,683)
Profit before tax				35,481

For the year ended 31 December 2011

	Property leasing	Right to receive royalty fee	Trading of goods	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	20,364	6,627	319	27,310
Segment profit / (loss)	162,284	(1,450)	(145)	160,689
Unallocated corporate expenses				(51,175)
Unallocated other revenue				205
Share of profits of a jointly controlled entity				4,375
Finance costs				(25,401)
Profit before tax				88,693

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit / (loss) represents the profit earned by or loss from each segment without allocation of central administration costs, directors' emoluments, share of profits of a jointly controlled entity, impairment loss recognised in respect of other receivables, bank interest income and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

3. SEGMENT INFORMATION (Cont'd)

Segment assets and liabilities

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

	2012 HK$'000	2011 HK$'000
Segment assets		
Property leasing	**3,117,207**	2,900,411
Right to receive royalty fee	**46,326**	52,946
Trading of goods	**-**	7,727
Total segment assets	**3,163,533**	2,961,084
Unallocated corporate assets	**113,379**	155,622
Consolidated assets	**3,276,912**	3,116,706
Segment liabilities		
Property leasing	**246,630**	196,947
Right to receive royalty fee	**19,448**	12,124
Trading of goods	**-**	290
Total segment liabilities	**266,078**	209,361
Unallocated corporate liabilities	**1,533,940**	1,789,788
Consolidated liabilities	**1,800,018**	1,999,149

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

- all assets are allocated to operating segment assets other than certain other receivables, interest in a jointly controlled entity, equipment of head office, pledged bank balances, bank balances and cash, derivative financial assets and deferred tax assets.

- all liabilities are allocated to operating segment liabilities other than bank borrowings, tax liabilities, deferred tax liabilities, certain other payables, derivative financial instrument, convertible notes and provision for contingent consideration.

4. REVENUE AND OTHER REVENUE

Revenue represents revenue arising on sales of finished goods, gross rental income from investment property and royalty income for the year. An analysis of the Group's revenue for the year is as follows:

	2012 HK$'000	2011 HK$'000
Revenue		
Gross rental income from investment properties (note)	**19,316**	20,364
Royalty income	**7,366**	6,627
Trading of goods	**20**	319
	26,702	27,310
Interest income from banks	**196**	205
Write-back of other tax in PRC	**7,852**	-
Sundry income	**13**	263
	8,061	468

Note: The direct operating expenses of approximately HK$2,940,000 (2011: HK$2,468,000) was incurred from investment property that generated rental income during the year.

5. FINANCE COSTS

	2012 **HK$'000**	2011 HK$'000
Interests on:		
- bank borrowings and other interest bearing borrowings wholly repayable within five years	**14,204**	1,290
- bank borrowings and other interest bearing borrowings wholly repayable over five years	**6,478**	7,113
- effective interest expenses on convertible notes	**22,001**	16,998
Borrowing costs incurred in connection with bank borrowings for investment properties under redevelopment	**29,252**	34,976
Total borrowing costs	**71,935**	60,377
Less: amounts capitalised	**(29,252)**	(34,976)
	42,683	25,401

6. INCOME TAX EXPENSES

	2012 **HK$'000**	2011 HK$'000
Current tax		
PRC Enterprise Income Tax		
- Current year	**-**	-
	-	-
Deferred tax		
- Current year	**23,071**	38,789
	23,071	38,789

No provision for Hong Kong Profits Tax has been made as the Group does not have any assessable profits subject to Hong Kong Profits Tax for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Under the Enterprise Income Tax ("EIT") Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$15,408,000 (2011: HK$19,396,000) as the Group is able to control the timing of the reversal of the temporary differences and it is possible that the temporary differences will not reverse in the foreseeable future.

The tax charge for the years can be reconciled to the profit before tax per the consolidated income statement as follows:

	2012 **HK$'000**	2011 HK$'000
Profit before tax from continuing operations	**35,481**	88,693
Tax at the domestic tax rate applicable to profit in the respective countries	**11,595**	22,173
Tax effect of share of profits of a jointly controlled entity	**(579)**	(1,094)
Tax effect of expenses not deductible for tax purpose	**12,906**	39,134
Tax effect of income not taxable for tax purpose	**(3,599)**	(21,095)
Utilisation of tax losses previously not recognised	**-**	(329)
Tax losses not recognised	**2,748**	-
Tax charge for the year	**23,071**	38,789

6. **INCOME TAX EXPENSES (Cont'd)**

The Group has tax losses arising in Hong Kong and the PRC of approximately HK$61,210,000 (2011: HK$61,210,000) and HK$95,066,000 (2011: HK$70,889,000) respectively. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The tax losses arising in the PRC are available for offsetting against future five years taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profits streams.

7. **PROFIT FOR THE YEAR**

Profit for the year has been arrived at after charging:

	2012	2011
	HK$'000	HK$'000
Staff costs:		
Directors' emoluments	**3,905**	2,601
Other staff costs	**9,752**	4,505
Retirement benefit scheme contributions (excluding directors)	**58**	88
Total staff costs	**13,715**	7,194
Amortisation of an intangible asset (included in cost of sales)	**3,480**	3,415
Amortisation of prepaid lease payments	**69**	112
Depreciation for property, plant and equipment	**1,148**	2,923
Total depreciation and amortisation	**4,697**	6,450
Impairment loss recognised on trade and other receivables	**377**	16
Auditors' remuneration	**850**	900
Minimum lease payments under operating lease charges	**444**	281
Impairment loss recognised on property, plant and equipment, prepaid lease payments and others	**8,478**	-
Loss on disposal of property, plant and equipment	**-**	29
Cost of inventories recognised as an expense	**128**	810

8. **EARNINGS PER SHARE**

(a) Basic earnings per share

The calculation of the basic earnings per share are based on the following data:

	2012	2011
	HK$'000	HK$'000
Profit for the year attributable to the owners of the Company	**16,925**	49,824

	2012	2011
	'000	'000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	**8,307,327**	3,933,330
Effect of shares issued upon conversion of convertible notes	**1,706,539**	2,133,073
Weighted average number of ordinary shares at 31 December	**10,013,866**	6,066,403

8. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The calculation of the diluted earnings per share are based on the following data:

	2012	2011
	HK$'000	HK$'000
Profit for the year attributable to the owners of the Company	**16,925**	49,824
After tax effect of effective interest on the liability component of convertible bonds	**16,705**	16,998
Profit for the year attributable to owners of the Company (diluted)	**33,630**	66,822

Weighted average number of ordinary shares (diluted)

	2012	2011
	'000	'000
Numbers of shares		
Weighted average number of ordinary shares at 31 December	**10,013,866**	6,066,403
Effect of the dilutive potential ordinary shares	**1,388,905**	1,914,571
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**11,402,771**	7,980,974

The diluted earnings per share for the year ended 31 December 2012 is equivalent to the basic earnings per share as the potential shares arising from the conversion of the convertible bonds would increase the earnings per share of the Group for the year, and is regarded as anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	HK$'000
Trade receivables	**7,083**	6,508
Less: allowance for doubtful debts	**-**	-
	7,083	6,508
Other receivables	**11,367**	9,614
Prepayment and deposits	**3,568**	2,815
	22,018	18,937

9. TRADE AND OTHER RECEIVABLES (continued)

The credit period granted to the Group's trade receivables generally ranges from 30 to 120 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period. The Group does not hold any collateral over these balances.

	2012	2011
	HK$'000	HK$'000
Within 3 months	**1,841**	1,526
4 to 6 months	**1,841**	1,526
Over 6 months	**3,401**	3,456
Total	**7,083**	6,508

10. OTHER PAYABLES

	2012	2011
	HK$'000	HK$'000
Other payables and accrued charges	**49,355**	76,728
Outstanding consideration for acquisition of an intangible asset through acquisition of a subsidiary	**10,000**	10,000
Refundable deposits received	**101,623**	100,048
Rental received in advance	**39,348**	6,712
	200,326	193,488

MODIFICATION IN INDEPENDENT AUDITOR'S REPORT

The auditor's report on the consolidated financial statements for the year ended 31 December 2012 was modified as follows:

"Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Group's current liabilities exceeded its current assets by approximately HK$482,573,000 as at 31 December 2012. As explained in note 2, the consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would result from the failure to operate as a going concern."

DIVIDENDS

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2012 (2011: Nil).

RESULTS

For the year ended 31 December 2012, the Group recorded an audited consolidated turnover of approximately HK$26,702,000, representing an decrease of approximately 2% as compared to HK$27,310,000 for the year ended 31 December 2011; and the net profit of approximately HK$12,410,000, representing a decrease of approximately 75% as compared to the year ended 31 December 2011. The decrease in net profit was mainly attributable to the net effect on fair value change on investment properties, derivative financial assets, derivative financial liabilities and contingent consideration.

BUSINESS REVIEW

In 2012, China's economy saw steady slowdown partly due to the gloomy global economy on the back of aggravating European debt crisis, leading to the deteriorated external environment of China, which suppressed its economic growth. Also contributing to the slowdown was the impact from macro control policies, such as tightening credit and purchase limit of houses, as well as the result of pre-tuning and fine tuning to economic structure The property market in the PRC was stagnant for most part of the year. Against this backdrop, the performance of the Group was avoidably affected.

As before, the Group's mall in Harbin has provided long-term steady rental income for the Group. During the year, we received net rental income of approximately HK$19,122,000 from the project. The Group had also got approximately HK$7,366,000 and HK$3,507,000 being royalty fee income and share of profit respectively from the Xiangquan Hotel project and another joint venture project in 2012.

King's Mall, the Group's flagship investment in Chongqing, Sichuan Province, a hub of the vast western region of the PRC, has completed its decoration works recently and has been under a trial run and open for business in a limit scale. Although the mall had not contributed to the Group in 2012, it is expected that with the grand opening of the mall it will bring in long term rental income in the near future and asset appreciation potential in the longer term.

PROSPECTS AND OUTLOOK

The widespread fear of hard landing for China economy in 2012 in the wake of the Central Government's macroeconomic policy has largely evaporated. However, the credit squeeze and other administrative measures have not hard hit the PRC property market, a sector that was specifically targeted by the macroeconomic policy. The management believes that in the years to come, the potential in the PRC property market is still enormous, and the Group's investments in the PRC property market through its two flagship commercial arcades in Chongqing and Harbin will go on bringing in steady earnings and appreciation potential to the Group.

As a PRC property developer with focus on the second line cities in mainland China, we have placed much emphasis on the potential of Zhuhai, the base of our Group. The construction of the Hong Kong-Zhuhai-Macau Bridge is well underway. With its completion in 2015-16, the Bridge will be a vital link to prosperity in the Pan-Pearl River Delta region, and definitely Zhuhai will benefit from the geographic advantage. The management will continue to look for any potential investments in the PRC property market, mainly in Zhuhai and some other up and coming cities and believes that further investments in the PRC property market will benefit the Group in the long run. To fund the accumulation of the Group's property portfolio, we will consider debt, equity, joint venture and some other financing means.

In general, the Board is optimistic that with a well defined corporate strategy and the management expertise, the Group will ride on the continued growth and development of mainland China and increase the return to our shareholders in the future.

LIQUIDITY, FINANCIAL RESOURCES, CHARGE ON ASSETS, GEARING AND CAPITAL COMMITMENTS

As at 31 December 2012, the Group's current assets and current liabilities were HK$59,914,000 and HK$542,487,000 respectively. The total secured bank and other loans amounted to HK$551,025,000 and HK$45,150,000 respectively.

As at 31 December 2012, main charges on assets of the Group included bank balances of HK$135,000, investment properties with fair value of HK$2,990,756,000 and leasehold land and buildings with carrying amount of approximately HK$30,121,000.

As at 31 December 2012, the Group had capital commitments of HK$25,899,000 in relation to the acquisition of investment properties under redevelopment.

The Group's gearing ratio as at 31 December 2012 was 55%, which is calculated on the Group's total liabilities divided by its total assets.

FOREIGN EXCHANGE RISK

The Group's operations are principally in the PRC and all assets and liabilities were denominated either in Renminbi or Hong Kong dollars. The Directors considers that the Group does not have any material exposure to fluctuations in exchange. Therefore, no hedging measures have been taken at present.

CONTINGENT LIABILITIES

(a) During the period from 1 January 2004 to 31 December 2006, certain units and shops of the investment properties located in Chongqing had been sold to the independent third parties (the "Buyers") under the Sale and Purchase Agreements (the SP Agreements"). The leasing agency contracts and the mortgage contracts were signed together with SP Agreements among the Buyers, Chongqing Kings Mall Real Estate Development Company Limited ("Kings Development") and Jia Jun Business Management Consultants Limited ("Jia Jun"). Pursuant to the terms of the leasing agency contracts, Jia Jun would pay the Buyers an annual rental income equivalent to ten percent of the purchase price of the properties over twenty years.

    Based on the legal advice from the legal adviser to the Group, the directors of the Company considered that they have strong and valid ground of defence in relation to the potential claims in respect of the Buyers without entering into the cancellation agreements ("Problematic Properties") and the directors of the Company considered that Kings Development would not suffer material financial losses arising from such litigation and has the right to occupy and lease the Problematic Properties to other tenants to generate rental income.

    On 27 February 2011, pursuant to a deed of indemnity being executed by Profit China Investments Development Limited ("Profit China") and Mr. Liang Wenguan ("Mr. Liang") in favour of the Group at the date of acquisition completion, Profit China and Mr. Liang will indemnify the Group against all costs that the Group may suffer in relation to the investment properties acquired on the acquisition of Kings Development and its subsidiary and holding companies (the "Acquired Group") and any disputes and litigation (whether commencing before or after the acquisition completion) against the Group arising or accruing in relation to the operation of the Acquired Group on or before the date of acquisition completion (the "Indemnified Liabilities").

    In addition, on 19 May 2011, Zhu Hai Port Plaza Development Company Limited entered into an undertaking to pay the aforesaid Indemnified Liabilities to the extent that such losses, liabilities and expenses have not been settled by Mr. Liang pursuant to his obligations under the indemnity agreement executed by him in favour of Kings Development that Kings Development may suffer.

CONTINGENT LIABILITIES (Cont'd)

(b) During the year ended 31 December 2010, the Group has received a legal letter from an independent third party in respect of dispute arising from a past exclusive distributorship agreement. Alleged losses of RMB12,000,000 were claimed to have been suffered by the independent third party.

The directors of the Company considered that the Group had a valid and strong ground for defence as the independent third party has no right to enter into any exclusive distributorship agreement. As a result, the possibility of the Group to lose the case is remote and the Group is not expected to suffer material financial losses arising from such litigation, if any. Accordingly, no provision for any claim amount and other costs were made as at 31 December 2012 and 2011 in the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

On 27 March 2013, a wholly owned subsidiary of the Company, Mr. Liang Wenguan ("Mr. Liang"), the controlling shareholder of the Company and Profit China Investments Development Limited ("Profit China"), entered into an agreement to extend the date to comply with the conditions for issuing the third convertible notes to 31 December 2013. Pursuant to the Acquisition Agreement in respect of the acquisition of investment properties located in Chongqing, Mr. Liang and Profit China have jointly and severally agreed and undertaken that they shall fulfil the conditions for issuing the third convertible notes as soon as possible and not later than 7 July 2013, the second anniversary of the date of completion of the acquisition. Details of the terms for issuing the third convertible notes were stated in the Company's Circular dated 25 May 2011.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of approximately 100 employees, who were remunerated according to nature of the job and market trend, as well as individual qualifications and performance. The Group has participated in the Mandatory Provident Fund Scheme. On the job training was provided to its staff from time to time.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (“Model Code”) as contained in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all directors regarding any non-compliance with the Model Code during the year and they all confirmed that they have fully complied with the required standard set out in the Model Code.

CODE OF CORPORATE GOVENANCE PRACTICE

During the year, the Company has complied with the code provisions in the Code of Corporate Governance Practice (the “CG Code”) contained in Appendix 14 to the Listing Rules, except the deviations from the CG Code as described below:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same person. The Company had no chairman until Mr. Liang Wenguan was appointed to the position on 27 June 2012. The Company has no chief executive officer after Mr. Zhong Guoxing resigned on 27 June 2012. Decisions of the Company are made collectively by the executive Directors. The Board believes that the present arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently and effectively in response to the changing environment.

Under provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. None of the independent non-executive directors of the Company are appointed for a specific term but all of them would be subject to retirement by rotation in accordance with the Company’s Bye-laws.

AUDIT COMMITTEE

Regular meetings have been held by the Audit Committee since its establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Audit Committee has reviewed the financial statement of the Group for the year ended 31 December 2012 and discussed with management and the external auditors the accounting principles and policies adopted by the Company.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business partners, bankers and auditors for their support to the Group throughout the year.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.madex.com.hk). The annual report of the Company for the year ended 31 December 2012 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and posted on the above websites in due course.

By Order of the Board of
Madex International (Holdings) Limited
Liang Wenguan
Chairman & Executive Director

Hong Kong, 28 March 2013

As at the date of this announcement, the Board comprises Mr. Liang Wenguan (Chairman) and Mr. Zhang Guodong as Executive Directors; Ms. Liang Huixin as Non-executive Director; and Dr. Dong Ansheng, Mr. Hung Hing Man and Dr. Tam Hok Lam, Tommy, JP as Independent Non-executive Directors.