CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2012

The board of directors ("Board") of Chinese Estates Holdings Limited ("Company") would like to announce the audited consolidated results of the Company and its subsidiaries (together, "Group") for the financial year ended 31st December, 2012 ("Year") pursuant to paragraph 45 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"). The Group's consolidated statement of comprehensive income and consolidated statement of financial position, all of which have been reviewed by the Audit Committee, together with the comparative figures of the corresponding year ended 31st December, 2011 are set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2012

	Notes	**2012** HK$'000	2011 HK$'000 (Restated)
Continuing operations			
Revenue	3	**2,433,544**	527,792
Cost of sales		**(568,580)**	(244,484)
Gross profit		**1,864,964**	283,308
Other income	5	**78,748**	255,052
Investment income (expenses), net	6	**2,546,158**	(572,099)
Administrative expenses		**(281,768)**	(273,085)
Costs of development recognised in respect of property project in Macau	16	**(694,737)**	-
Other expenses	7	**(1,434)**	(19,262)
Gain on disposals of properties and other fixed assets		**359**	25
Gain on disposals of investment properties		**22,135**	1,945
Fair value changes on investment properties		**6,108,972**	2,959,593
Finance costs	9	**(344,805)**	(330,729)
Other gains and losses, net	10	**235,341**	78,265
Share of results of associates		**580,006**	1,241,732
Profit before tax		**10,113,939**	3,624,745
Income tax expense	11	**(299,090)**	(115,888)
Profit for the year from continuing operations		**9,814,849**	3,508,857
Discontinued operation			
Profit for the year from discontinued operation	12	**5,667**	10,847
Profit for the year	8	**9,820,516**	3,519,704

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*
For the year ended 31st December, 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Other comprehensive income			
Continuing operations			
Fair value changes on available-for-sale investments		**(21,997)**	(31,934)
Surplus on revaluation of properties and other fixed assets		**98,162**	-
Exchange differences on translation of foreign operations		**52,148**	213,677
Share of other comprehensive income of associates		**5,979**	107,943
Other comprehensive income for the year from continuing operations (net of tax)		**134,292**	289,686
Discontinued operation	12		
Fair value changes on available-for-sale investments		**3,751**	(5,965)
Reclassification relating to disposal of available-for-sale investments		**-**	34
Other comprehensive income (expenses) for the year from discontinued operation (net of tax)		**3,751**	(5,931)
Total comprehensive income for the year		**9,958,559**	3,803,459
Profit for the year attributable to:			
Owners of the Company			
Continuing operations		**9,791,651**	3,492,371
Discontinued operation		**3,286**	5,445
		9,794,937	3,497,816
Non-controlling interests			
Continuing operations		**23,198**	16,486
Discontinued operation		**2,381**	5,402
		25,579	21,888
Total		**9,820,516**	3,519,704
Total comprehensive income for the year attributable to:			
Owners of the Company			
Continuing operations		**9,925,943**	3,782,057
Discontinued operation		**5,314**	2,616
		9,931,257	3,784,673
Non-controlling interests			
Continuing operations		**23,198**	16,486
Discontinued operation		**4,104**	2,300
		27,302	18,786
Total		**9,958,559**	3,803,459
Earnings per share (HK$)	14		
Basic and diluted			
From continuing and discontinued operations		**5.135**	1.834
From continuing operations		**5.133**	1.831

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31st December, 2012

	Notes	**2012 HK$'000**	2011 HK$'000
Non-current assets			
Investment properties		**41,972,818**	34,484,529
Properties and other fixed assets		**521,886**	521,756
Property interests held for future development		**-**	-
Intangible assets		**-**	1,430
Goodwill		**322,938**	329,879
Interests in associates		**2,017,868**	1,693,745
Advances to associates		**1,642,668**	1,618,642
Interests in jointly controlled entities		**-**	-
Available-for-sale investments		**119,012**	4,160,350
Financial assets designated as at fair value through profit or loss		**993,942**	2,453,411
Advance to an investee company		**-**	406,241
Loans receivable – due after one year		**15**	58
Deferred tax assets		**35,252**	47,279
Advances to non-controlling shareholders		**14,908**	124,388
Pledged deposits		**62,673**	165,441
		47,703,980	46,007,149
Current assets			
Stock of properties	15	**3,768,372**	5,707,076
Available-for-sale investments		**-**	53,323
Investments held-for-trading		**156,327**	514,917
Financial assets designated as at fair value through profit or loss		**9,575,592**	2,773,200
Loans receivable – due within one year		**51**	60
Inventories for cosmetic products		**3,379**	3,939
Debtors, deposits and prepayments	16	**5,092,246**	583,469
Securities trading receivables and deposits		**286,045**	25,362
Tax recoverable		**1,911**	1,320
Pledged deposits		**2,169,839**	1,539,558
Time deposits, bank balances and cash		**4,786,523**	4,268,499
Sales proceeds held by stakeholders		**837,425**	33,725
		26,677,710	15,504,448
Assets classified as held for sale	18	**147,569**	-
		26,825,279	15,504,448
Current liabilities			
Creditors and accruals	17	**636,313**	765,027
Securities trading and margin payable		**33,586**	10,996
Deposits and receipts in advance		**3,306,447**	970,516
Tax liabilities		**93,112**	24,480
Borrowings – due within one year		**14,171,958**	10,006,667
		18,241,416	11,777,686
Liabilities directly associated with assets classified as held for sale	18	**1,973**	-
		18,243,389	11,777,686
Net current assets		**8,581,890**	3,726,762
Total assets less current liabilities		**56,285,870**	49,733,911

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31st December, 2012

	2012 **HK$'000**	2011 HK$'000
Equity attributable to owners of the Company		
Share capital	**190,762**	190,762
Properties revaluation reserve	**98,162**	-
Securities investments reserve	**45,765**	67,934
Statutory reserve	**32,203**	29,119
Other reserve	**(2,537)**	(7,259)
Special reserve	**2,499,685**	2,499,685
Capital redemption reserve	**138,062**	138,062
Translation reserve	**1,014,869**	961,487
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale	**4,308**	-
Retained profits		
- proposed final dividend	**381,524**	19,076
- special interim dividend	**1,907,619**	-
- others	**39,236,100**	31,752,466
	45,546,522	35,651,332
Non-controlling interests	**431,803**	716,675
Total equity	**45,978,325**	36,368,007
Non-current liabilities		
Financial guarantee liabilities	**-**	91
Borrowings – due after one year	**9,335,617**	12,684,015
Amounts due to associates	**30,099**	183,689
Amounts due to investee companies	**104,935**	-
Amounts due to non-controlling shareholders	**220,437**	14,430
Deferred tax liabilities	**616,457**	483,679
	10,307,545	13,365,904
	56,285,870	49,733,911

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, which is a collective term that includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at their fair values.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The accounting policies adopted in the consolidated financial statements for the Year are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31st December, 2011 except as described below.

In the current year, the Group has applied, for the first time, the following amendments issued by the HKICPA, which are effective for current accounting year of the Group. The amendments adopted by the Group in the consolidated financial statements are set out below:

HKFRS 1 (Amendments)	Disclosures – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets

The Group has early adopted the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 "Investment Property" for the financial year ended 31st December, 2010 and this change in accounting policy has been consistently applied in the consolidated financial statements.

Save as described above, the application of the amendments had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early adopted the following new and revised HKFRSs, amendments and interpretation ("new and revised HKFRSs") that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
HKFRS 1 (Amendments)	Government Loans[2]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[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 13	Fair Value Measurement[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[3]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (Revised in 2011)	Employee Benefits[2]
HKAS 27 (Revised in 2011)	Separate Financial Statements[2]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Presentation – 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 1st July, 2012*
[2] *Effective for annual periods beginning on or after 1st January, 2013*
[3] *Effective for annual periods beginning on or after 1st January, 2014*
[4] *Effective for annual periods beginning on or after 1st January, 2015*

The Group is in the process of assessing the potential impact of these new and revised HKFRSs but is not yet in a position to determine whether these new and revised HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new and revised HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. Revenue

Revenue represents the aggregate amounts received and receivable from property rental income, sales of properties held-for-sale, gains/losses from sales of investments held-for-trading, interest income from loan financing, commission from brokerage, settlement charges from brokerage and cosmetic goods sold less returns, analysed as follows:

	2012	2011
	HK$'000	HK$'000
Property rental income	**1,673,201**	1,513,780
Sales of properties held-for-sale	**720,570**	189,906
Losses on sales of investments held-for-trading	**(9,205)**	(1,227,648)
Interest income from loan financing	**31,547**	25,729
Brokerage and cosmetic income	**17,431**	26,025
	2,433,544	527,792

4. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has six reportable segments – (i) property development and trading; (ii) property leasing for retail; (iii) property leasing for non-retail; (iv) listed available-for-sale equity investments; (v) listed investments held-for-trading and treasury products; and (vi) unlisted investments, investment holding and brokerage. The segmentations are based on the information about the operation of the Group that management uses to make decisions.

Principal activities are as follows:

Property development and trading	–	Property development and sales of trading properties
Property leasing		
- Retail	–	Property leasing from retail properties
- Non-retail	–	Property leasing from non-retail properties
Listed available-for-sale equity investments	–	Listed equity securities in available-for-sale investments
Listed investments held-for-trading and treasury products	–	Listed securities investments in investments held-for-trading, over-the-counter trading and structured products
Unlisted investments, investment holding and brokerage	–	Unlisted securities investments, trading and brokerage

The reportable segment of "floating rate and fixed rate notes" on available-for-sale investments was discontinued during the Year as a result of the disposal/sale and purchase agreement entered into by the Group for disposals of two listed subsidiaries. Details of the discontinued operation are set out in Note 12 and the comparative information of the operating segment has been restated accordingly.

The Group evaluates performance on the basis of profit or loss from operations after tax expense and non-controlling interests but not including the major non-cash items. The major non-cash items are fair value changes on investments properties and other property together with their, if applicable, respective deferred tax. No intersegment revenue is accounted for as the intersegment revenue is mainly the rental income for administrative purpose.

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2011.

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business units has different market and requires different marketing strategies.

Further, the business units are also managed to operate in different countries separately. Revenue and result are attributed to countries on the basis of the properties located.

No major customer is for the Group's revenue and result.

Operating segment information is presented below:

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2012

Continuing operations	Property development and trading HK$'000	Property leasing Retail HK$'000	Property leasing Non-retail HK$'000	Listed available-for-sale equity investments HK$'000	Listed investments held-for-trading and treasury products HK$'000	Unlisted investments, investment holding and brokerage HK$'000	All other segments HK$'000	Consolidated HK$'000
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	1,507,649	-	-	1,507,649
- Mainland China	-	-	-	-	-	3,878,450	-	3,878,450
- Other countries	-	-	-	-	6,712,892	-	-	6,712,892
	-	-	-	-	8,220,541	3,878,450	-	12,098,991
Revenue								
Revenue from external customers								
- Hong Kong	34,219	1,031,839	352,106	-	6,408	5,752	43,226	1,473,550
- Mainland China	686,351	46,443	48,125	-	-	-	-	780,919
- United Kingdom	-	5,346	189,342	-	-	-	-	194,688
- Other countries	-	-	-	-	(15,613)	-	-	(15,613)
	720,570	1,083,628	589,573	-	(9,205)	5,752	43,226	2,433,544
Revenue from external customers after non-controlling interests	717,659	1,082,103	587,535	-	(9,205)	5,752	43,226	2,427,070
Attributable property sales from associates								
- Hong Kong	231,906	-	-	-	-	-	-	231,906
Attributable rental revenue from associates								
- Hong Kong	-	19,264	28,630	-	-	-	-	47,894
- Mainland China	-	87,645	81,849	-	-	-	-	169,494
	949,565	1,189,012	698,014	-	(9,205)	5,752	43,226	2,876,364
Result								
Segment result								
- Hong Kong	27,361	978,608	339,345	-	10,730	104,469	58,572	1,519,085
- Mainland China	215,766	40,116	40,914	-	-	(5,852)	-	290,944
- United Kingdom	-	5,341	189,149	-	-	-	-	194,490
- Other countries	-	-	-	-	2,430,577	-	-	2,430,577
	243,127	1,024,065	569,408	-	2,441,307	98,617	58,572	4,435,096
Share of results of associates								
- Attributable property sales, net								
- Hong Kong	115,992	-	-	-	-	-	-	115,992
- Attributable gross income								
- Hong Kong	-	19,264	28,630	-	-	-	3,773	51,667
- Mainland China	-	87,645	81,849	-	-	-	-	169,494
- Attributable operating cost								
- Hong Kong	-	(2,602)	(5,451)	-	-	-	-	(8,053)
- Mainland China	-	(45,295)	(13,693)	-	-	-	-	(58,988)
Non-controlling interests	(1,920)	(1,314)	(1,899)	-	-	-	-	(5,133)
	357,199	1,081,763	658,844	-	2,441,307	98,617	62,345	4,700,075
Other income, net	403	-	-	-	-	-	-	403
Gain on disposal of investment properties	-	22,135	-	-	-	-	-	22,135
Finance costs	-	(3,100)	(109,797)	-	(24,272)	-	-	(137,169)
Other gains and losses, net	(606)	-	-	-	-	-	-	(606)
Share of results of associates								
- Income tax and others	339	(27,292)	(40,947)	-	-	-	(102)	(68,002)
Non-controlling interests	-	(5,534)	-	-	-	-	-	(5,534)
	357,335	1,067,972	508,100	-	2,417,035	98,617	62,243	4,511,302
Unallocated items								
Unallocated corporate expenses, net								(228,472)
Unallocated finance costs								(207,636)
Gain on disposal of subsidiaries								106,955
Unallocated other gains and losses, net								(10)
Income tax expense								(198,443)
Unallocated non-controlling interests								(7,853)
Profit for the year from continuing operations attributable to owners of the Company								3,975,843
Profit for the year from discontinued operation attributable to owners of the Company								3,286
Core profit from continuing and discontinued operations (excluding major non-cash items)								3,979,129
Major non-cash items								
- Fair value changes on investment properties (including share of results of associates and non-controlling interests)								6,482,190
- Gain on revaluation of stock of properties upon transfer to investment properties								129,002
- Costs of development recognised in respect of property project in Macau								(694,737)
- Deferred tax expense								(100,647)
Profit for the year from continuing and discontinued operations attributable to owners of the Company								9,794,937

Consolidated Statement of Financial Position
At 31st December, 2012

	Property development and trading HK$'000	Property leasing: Retail HK$'000	Property leasing: Non-retail HK$'000	Listed available-for-sale equity investments HK$'000	Listed investments held-for-trading and treasury products HK$'000	Unlisted investments, investment holding and brokerage HK$'000	All other segments HK$'000	Consolidated HK$'000
Assets								
Segment assets								
- Hong Kong	**3,465,036**	**26,790,661**	**10,437,781**	**-**	**154,275**	**2,711,447**	**35,481**	**43,594,681**
- Mainland China and Macau	**10,162,923**	**1,544,696**	**305,415**	**-**	**-**	**-**	**3,868**	**12,016,902**
- United Kingdom	**-**	**107,547**	**3,867,352**	**-**	**-**	**-**	**-**	**3,974,899**
- Other countries	**-**	**-**	**-**	**-**	**11,082,370**	**-**	**-**	**11,082,370**
Interests in associates								
- Hong Kong	**359,374**	**210,865**	**839,772**	**-**	**-**	**1,579**	**18,071**	**1,429,661**
- Mainland China	**118,660**	**106,215**	**363,332**	**-**	**-**	**-**	**-**	**588,207**
Advances to associates								
- Hong Kong	**7,225**	**86**	**60**	**-**	**-**	**2**	**1,448**	**8,821**
- Mainland China	**971,089**	**60,805**	**601,953**	**-**	**-**	**-**	**-**	**1,633,847**
Reportable segment assets	**15,084,307**	**28,820,875**	**16,415,665**	**-**	**11,236,645**	**2,713,028**	**58,868**	**74,329,388**
Assets classified as held for sale								**147,569**
Unallocated corporate assets								**52,302**
Consolidated total assets								**74,529,259**
Liabilities								
Segment liabilities								
- Hong Kong	**2,057,523**	**723,623**	**37,009**	**-**	**3**	**35,419**	**80,018**	**2,933,595**
- Mainland China and Macau	**1,026,552**	**21,402**	**21,073**	**-**	**-**	**-**	**-**	**1,069,027**
- United Kingdom	**-**	**89,791**	**3,244,312**	**-**	**-**	**-**	**-**	**3,334,103**
- Other countries	**-**	**-**	**-**	**-**	**6,796,841**	**-**	**-**	**6,796,841**
Reportable segment liabilities	**3,084,075**	**834,816**	**3,302,394**	**-**	**6,796,844**	**35,419**	**80,018**	**14,133,566**
Liabilities directly associated with assets classified as held for sale								**1,973**
Unallocated corporate liabilities								**14,415,395**
Consolidated total liabilities								**28,550,934**
Additions to non-current assets (other than financial instruments and deferred tax assets)	**1,017,557**	**113,756**	**238,595**	**-**	**-**	**-**	**5,726**	

Other Material Items
For the year ended 31st December, 2012

	Continuing operations: Reportable segments total HK$'000	Continuing operations: Adjustments for unallocated HK$'000	Continuing operations: Adjustments for major non-cash items HK$'000	Continuing operations: Total HK$'000	Discontinued operation: Total HK$'000	Continuing and discontinued operations: Consolidated statement of comprehensive income total HK$'000
Interest income	**972,246**	**14,987**	**-**	**987,233**	**6,523**	**993,756**
Finance costs	**(137,169)**	**(207,636)**	**-**	**(344,805)**	**-**	**(344,805)**
Net income (expense)	**835,077**	**(192,649)**	**-**	**642,428**	**6,523**	**648,951**
Depreciation	**-**	**(16,507)**	**-**	**(16,507)**	**-**	**(16,507)**
Fair value changes on investment properties	**-**	**-**	**6,108,972**	**6,108,972**	**-**	**6,108,972**
Gain on revaluation of stock of properties upon transfer to investment properties	**-**	**-**	**129,002**	**129,002**	**-**	**129,002**
Costs of development recognised in respect of property project in Macau	**-**	**-**	**(694,737)**	**(694,737)**	**-**	**(694,737)**
Share of results of associates	**202,110**	**-**	**377,896**	**580,006**	**-**	**580,006**
Income tax expense	**-**	**(198,443)**	**(100,647)**	**(299,090)**	**(392)**	**(299,482)**
Non-controlling interests	**(10,667)**	**(7,853)**	**(4,678)**	**(23,198)**	**(2,381)**	**(25,579)**

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2011 (Restated)

Continuing operations	Property development and trading HK$'000	Property leasing: Retail HK$'000	Property leasing: Non-retail HK$'000	Listed available-for-sale equity investments HK$'000	Listed investments held-for-trading and treasury products HK$'000	Unlisted investments, investment holding and brokerage HK$'000	All other segments HK$'000	Consolidated HK$'000
Major cash items excluding in revenue								
- Hong Kong	-	-	-	-	4,677,292	-	-	4,677,292
- Other countries	-	-	-	-	6,936,215	-	-	6,936,215
	-	-	-	-	11,613,507	-	-	11,613,507
Revenue								
Revenue from external customers								
- Hong Kong	163,627	894,423	344,593	-	(1,071,617)	14,002	37,752	382,780
- Mainland China	26,279	42,973	39,941	-	-	-	-	109,193
- United Kingdom	-	5,274	186,576	-	168	-	-	192,018
- Other countries	-	-	-	-	(156,199)	-	-	(156,199)
	189,906	942,670	571,110	-	(1,227,648)	14,002	37,752	527,792
Revenue from external customers after non-controlling interests	188,346	941,191	568,788	-	(1,227,648)	14,002	37,752	522,431
Attributable property sales from associates/investees - Hong Kong	3,231,229	-	-	-	-	-	-	3,231,229
Attributable rental revenue from associates								
- Hong Kong	-	13,185	26,827	-	-	-	-	40,012
- Mainland China	-	80,804	80,075	-	-	-	-	160,879
	3,419,575	1,035,180	675,690	-	(1,227,648)	14,002	37,752	3,954,551
Result								
Segment result								
- Hong Kong	75,881	842,033	328,873	-	(1,199,910)	113,930	40,112	200,919
- Mainland China	(21,679)	37,211	34,061	-	-	4,420	-	54,013
- United Kingdom	-	5,255	185,891	-	168	-	-	191,314
- Other countries	-	-	-	-	(725,013)	-	-	(725,013)
	54,202	884,499	548,825	-	(1,924,755)	118,350	40,112	(278,767)
Share of results of associates								
- Attributable property sales, net - Hong Kong	838,718	-	-	-	-	-	-	838,718
- Attributable gross income								
- Hong Kong	-	13,185	26,827	-	-	-	3,128	43,140
- Mainland China	-	80,804	80,075	-	-	-	-	160,879
- Attributable operating cost								
- Hong Kong	-	(4,141)	(6,832)	-	-	-	-	(10,973)
- Mainland China	-	(44,475)	(13,686)	-	-	-	-	(58,161)
Non-controlling interests	(1,349)	(1,154)	(2,129)	-	-	-	-	(4,632)
	891,571	928,718	633,080	-	(1,924,755)	118,350	43,240	690,204
Other income, net	10,514	-	-	-	-	-	-	10,514
Gain (loss) on disposal of investment properties	-	2,397	(452)	-	-	-	-	1,945
Finance costs	-	(3,116)	(110,247)	-	(46,103)	-	-	(159,466)
Other gains and losses, net								
- Gain on disposal of a subsidiary	-	-	66,825	-	-	-	-	66,825
- Others	(2,312)	-	(3,000)	-	-	-	-	(5,312)
Share of results of associates - Income tax and others	(12,810)	(28,424)	(42,843)	-	-	-	(1,342)	(85,419)
Non-controlling interests	-	(708)	156	-	-	-	-	(552)
	886,963	898,867	543,519	-	(1,970,858)	118,350	41,898	518,739
Unallocated items								
Unallocated corporate expenses, net								(57,808)
Unallocated finance costs								(171,263)
Unallocated other gains and losses, net								16,752
Income tax expense								(92,252)
Unallocated non-controlling interests								(5,111)
Profit for the year from continuing operations attributable to owners of the Company								209,057
Profit for the year from discontinued operation attributable to owners of the Company								5,445
Core profit from continuing and discontinued operations (excluding major non-cash items)								214,502
Major non-cash items								
- Fair value changes on investment properties (including share of results of associates and non-controlling interests)								3,306,950
- Deferred tax expense								(23,636)
Profit for the year from continuing and discontinued operations attributable to owners of the Company								3,497,816

Consolidated Statement of Financial Position

At 31st December, 2011 (Restated)

	Property development and trading HK$'000	Property leasing Retail HK$'000	Property leasing Non-retail HK$'000	Listed available-for-sale equity investments HK$'000	Listed investments held-for-trading and treasury products HK$'000	Unlisted investments, investment holding and brokerage HK$'000	All other segments HK$'000	Consolidated HK$'000
Assets								
Segment assets								
- Hong Kong	1,869,331	23,765,719	7,187,653	-	515,415	367,235	47,889	33,753,242
- Mainland China and Macau	13,330,190	1,375,467	191,504	-	-	-	4,432	14,901,593
- United Kingdom	-	103,125	3,653,878	-	-	-	-	3,757,003
- Other countries	-	-	-	-	5,426,082	-	-	5,426,082
Interests in associates								
- Hong Kong	462,934	49,431	728,247	-	-	2,378	3,098	1,246,088
- Mainland China	123,664	81,542	242,450	-	-	-	-	447,656
Advances to associates								
- Hong Kong	6,340	-	11,390	-	-	-	1,427	19,157
- Mainland China	962,083	78,621	558,781	-	-	-	-	1,599,485
Reportable segment assets	16,754,542	25,453,905	12,573,903	-	5,941,497	369,613	56,846	61,150,306
Assets relating to floating rate and fixed rate notes (now discontinued)								187,089
Unallocated corporate assets								174,202
Consolidated total assets								61,511,597
Liabilities								
Segment liabilities								
- Hong Kong	129,441	440,997	143,363	-	26	13,840	75,301	802,968
- Mainland China and Macau	831,517	18,984	15,594	-	-	-	1	866,096
- United Kingdom	-	88,151	3,173,826	-	-	-	-	3,261,977
- Other countries	-	2	-	-	3,300,781	-	-	3,300,783
Reportable segment liabilities	960,958	548,134	3,332,783	-	3,300,807	13,840	75,302	8,231,824
Liabilities relating to floating rate and fixed rate notes (now discontinued)								196
Unallocated corporate liabilities								16,911,570
Consolidated total liabilities								25,143,590
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,680,285	110,804	3,423,835	-	-	-	1,505	

Other Material Items

For the year ended 31st December, 2011 (Restated)

	Continuing operations				Discontinued operation	Continuing and discontinued operations
	Reportable segments total	Adjustments for unallocated	Adjustments for major non-cash items	Total	Total	Consolidated statement of comprehensive income total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Interest income	770,991	-	-	770,991	8,818	779,809
Finance costs	(159,466)	(171,263)	-	(330,729)	-	(330,729)
Net income (expense)	611,525	(171,263)	-	440,262	8,818	449,080
Depreciation	-	(17,225)	-	(17,225)	-	(17,225)
Fair value changes on investment properties	-	-	2,959,593	2,959,593	-	2,959,593
Share of results of associates	888,184	-	353,548	1,241,732	-	1,241,732
Income tax expense	-	(92,252)	(23,636)	(115,888)	(258)	(116,146)
Non-controlling interests	(5,184)	(5,111)	(6,191)	(16,486)	(5,402)	(21,888)

5. Other Income

	2012	2011
	HK$'000	HK$'000
Included in other income are:		(Restated)
Continuing operations		
Building management fee income	**197,604**	138,700
Building management fee expenses	**(173,630)**	(128,676)
	23,974	10,024
Forfeiture of deposits received on sales of properties	**403**	252
Management and maintenance service income	**5,487**	7,919
Exchange gain, net	**8,835**	4,342
Interest income from loan note (Note 16(b))	**14,987**	-
Arrangement fee income	**-**	194,966
Discontinued operation		
Exchange gain, net	**-**	2,484

6. Investment Income (Expenses), Net

	2012 **HK$'000**	2011 HK$'000 (Restated)
Continuing operations		
Financial assets at fair value through profit or loss classified as held-for-trading:		
Unrealised loss arising on change in fair value of investments held-for-trading	**(645)**	(138,768)
Financial assets designated as at fair value through profit or loss:		
Unrealised gain (loss) arising on change in fair value of bonds	**1,307,979**	(1,229,503)
Realised gain (loss) arising on change in fair value of bonds		
Change in fair value	**280,651**	(55,597)
Exchange component of change	**(4,995)**	34,619
Net gain (loss) arising on change in fair value of financial assets designated as at fair value through profit or loss	**1,583,635**	(1,250,481)
Realised loss arising on disposal of available-for-sale investments:		
Unlisted equity	**(10,500)**	-
Other investment income	**186**	-
Dividend income on:		
Listed investments	**4,400**	12,709
Unlisted investments	**29,040**	45,356
Interest income	**940,042**	744,677
Imputed interest income on:		
Advances to associates	**-**	14,080
Advance to a non-controlling shareholder	**-**	328
	2,546,158	(572,099)
Discontinued operation		
Interest income	**6,523**	8,818
Transfer from equity on disposals of available-for-sale investments:		
Unlisted debt securities	**-**	(34)
	6,523	8,784
	2,552,681	(563,315)

Included in interest income from continuing operations are interests from bonds of approximately HK$862,936,000 (2011: HK$679,433,000). Included in interest income from discontinued operation are interest from unlisted floating rate and fixed rate notes of approximately HK$6,431,000 (2011: listed floating rate notes and unlisted floating rate and fixed rate notes of approximately HK$1,175,000 and HK$7,641,000 respectively).

7. Other Expenses

	2012 **HK$'000**	2011 HK$'000
Included in other expenses are:		
Continuing operations		
Amortisation of intangible assets	**1,430**	2,860
Expenses for specific transactions	**4**	3,021
Transaction cost in relation to acquisition of subsidiaries	**-**	13,381

8. Profit for the Year

	2012	2011
	HK$'000	HK$'000
		(Restated)
Profit for the year has been arrived at after (charging) crediting:		
Continuing operations		
Total staff costs:		
Staff costs, including Directors' emoluments	**(198,380)**	(167,982)
Retirement benefits scheme contributions, net of forfeited contributions of approximately HK$726,000 (2011: HK$483,000)	**(8,798)**	(7,694)
	(207,178)	(175,676)
Auditors' remuneration		
- Current year	**(2,921)**	(3,147)
- Overprovision in prior years	**140**	-
Depreciation	**(16,507)**	(17,225)
Cost of trading properties recognised	**(356,504)**	(137,148)
Cost of cosmetic products recognised	**(3,444)**	(3,735)
Share of tax of associates (included in share of results of associates)	**(81,126)**	(191,950)
Gross proceeds on sale of investments held-for-trading	**1,489,441**	4,956,707
Carrying amount on investments held-for-trading disposed	**(1,496,438)**	(6,176,736)
Transaction cost on investments held-for-trading disposed	**(2,208)**	(7,619)
Net loss on sale of investments held-for-trading included in revenue	**(9,205)**	(1,227,648)
Gross rental income from investment properties	**1,673,201**	1,513,780
Less: Direct operating expenses from investment properties that generated rental income during the year	**(77,329)**	(74,351)
Direct operating expenses from investment properties that did not generate rental income during the year	**(2,399)**	(6,105)
	1,593,473	1,433,324
Discontinued operation		
Auditors' remuneration	**(118)**	(150)
Exchange loss, net	**(334)**	-

9. Finance Costs

	2012	2011
	HK$'000	HK$'000
Continuing operations		
Interest on:		
Bank loans wholly repayable within five years	**396,117**	309,699
Other loans wholly repayable within five years	**34,824**	26,181
	430,941	335,880
Imputed interest on:		
Amounts due to associates	**-**	1,994
Amount due to a non-controlling shareholder	**-**	5,444
	-	7,438
Total interest	**430,941**	343,318
Exchange (gain) loss on translation of foreign currency loans	**(9,528)**	7,922
Other finance costs	**40,464**	44,399
	461,877	395,639
Less: Interest capitalised to stock of properties under development	**(53,336)**	(62,832)
Interest capitalised to investment properties under development	**(63,736)**	(2,078)
	344,805	330,729

10. Other Gains and Losses, Net

	2012 HK$'000	2011 HK$'000
Included in other gains and losses, net are:		
Continuing operations		
Gain on revaluation of stock of properties upon transfer to investment properties	**129,002**	-
Gain on disposal of subsidiaries *(note 1)*	**106,955**	66,825
Write-down of stock of properties	**(606)**	(2,312)
Reversal of contingency provision *(note 2)*	**-**	16,054

Notes: 1. Gain on disposal of subsidiaries arose from the disposal of the Group's entire 41.93% interest in G-Prop (Holdings) Limited ("G-Prop"), a listed subsidiary of the Company, during the Year (Note 19) (2011: gain on disposal of a subsidiary arose from a connected transaction in relation to the disposal of an investment property located at No. 3 Deep Water Bay Road, Hong Kong to a company wholly-owned by a Director and a substantial shareholder of the Company).

2. Reversal of the provision of construction cost of the Group's liability on contingency claims by a third party to whom a property under development project previously disposed of.

11. Income Tax Expense

	2012 HK$'000		2011 HK$'000 (Restated)	
The charge comprises:				
Continuing operations				
Current tax:				
Hong Kong Profits Tax	**103,460**		65,028	
Other than Hong Kong	**50,721**		9,669	
		154,181		74,697
(Overprovision) underprovision in prior years:				
Hong Kong Profits Tax	**(2,279)**		(67,344)	
Other than Hong Kong	**576**		31	
		(1,703)		(67,313)
Deferred tax:				
Current year charge	**142,467**		108,504	
Underprovision in prior years	**4,145**		-	
		146,612		108,504
		299,090		115,888
Discontinued operation				
Hong Kong				
Current tax		**404**		258
Overprovision in prior years		**(12)**		-
		392		258
		299,482		116,146

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the Year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. Discontinued Operation

a) Disposal of G-Prop ("G-Prop Disposal") on 6th August, 2012

Mass Rise Limited, a wholly-owned subsidiary of the Company, as the first vendor ("First Vendor") and Asian Kingdom Limited, a company indirectly wholly-owned by a Director and a controlling shareholder, as the second vendor ("Second Vendor") had entered into a sale and purchase agreement in respect of the disposal of a total of 1,512,059,473 shares of G-Prop with (i) Champion Dynasty Limited, an independent third party, as the purchaser ("Purchaser of G-Prop"); (ii) the Company and Crown Jade Limited as warrantors; and (iii) Mr. Cheung Wai Kuen as guarantor of the Purchaser of G-Prop, pursuant to which 1,018,380,590 shares of G-Prop was sold by the First Vendor to the Purchaser of G-Prop and 493,678,883 shares of G-Prop was sold by the Second Vendor to the Purchaser of G-Prop at a total consideration of approximately HK$423,661,000. The G-Prop Disposal was completed on 6th August, 2012. Upon completion, G-Prop and its subsidiaries ("G-Prop Group") ceased to be subsidiaries of the Group.

b) Disposal of Chi Cheung Investment Company, Limited ("Chi Cheung") ("Chi Cheung Disposal")

On 5th December, 2012, (i) Billion Up Limited ("Billion Up"), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Billion Up; and (iii) an independent third party of and not connected with the Company and its connected persons ("Purchaser of Chi Cheung") entered into a sale and purchase agreement pursuant to which Billion Up agreed to sell and the Purchaser of Chi Cheung agreed to purchase the shares of Chi Cheung held by the Group, which representing approximately 61.96% of the entire issued share capital of Chi Cheung. The Chi Cheung Disposal was completed on 6th February, 2013. Upon completion, Chi Cheung and its subsidiaries ("Chi Cheung Group") ceased to be subsidiaries of the Group.

On 5th December, 2012, the Group and Chi Cheung also entered into a sale and purchase agreement in relation to the sale of the entire issued share capital, the shareholder's loan and certain debt of View Success Investments Limited ("View Success"), an indirect wholly-owned subsidiary of Chi Cheung, to the Group ("View Success Acquisition"). The View Success Acquisition was completed on 23rd January, 2013. As such, the assets and liabilities of View Success would not form part of net assets disposed on the completion of the Chi Cheung Disposal.

Details of the Chi Cheung Disposal and the View Success Acquisition were set out in the announcement of the Company dated 5th December, 2012.

As a result of the G-Prop Disposal and the Chi Cheung Disposal, the reportable segment of "floating rate and fixed rate notes" has been discontinued and, in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" issued by the HKICPA, its consolidated results were therefore classified as discontinued operation for the Year and the comparative information has also been restated accordingly.

The consolidated results of the discontinued operation for the years ended 31st December, 2012 and 2011 are set out as below:

	2012	2011
	HK$'000	HK$'000
Other income	**-**	2,484
Investment income, net	**6,523**	8,784
Administrative expenses	**(464)**	(163)
Profit before tax	**6,059**	11,105
Income tax expense	**(392)**	(258)
Profit for the year from discontinued operation	**5,667**	10,847
Other comprehensive income (expense) for the year:		
Fair value changes on available-for-sale investments	**3,751**	(5,965)
Reclassification relating to disposal of available-for-sale investments	**-**	34
Total comprehensive income for the year from discontinued operation (net of tax)	**9,418**	4,916

12. Discontinued Operation (continued)

	2012	2011
	HK$'000	HK$'000
Profit for the year from discontinued operation attributable to:		
Owners of the Company	**3,286**	5,445
Non-controlling interests	**2,381**	5,402
	5,667	10,847
Total comprehensive income for the year from discontinued operation attributable to:		
Owners of the Company	**5,314**	2,616
Non-controlling interests	**4,104**	2,300
	9,418	4,916

The consolidated cash flows from discontinued operation are set out as below:

Net cash (used in) generated from operating activities	**(711)**	2,448
Net cash generated from investing activities	**17,391**	83,260
Net cash inflows	**16,680**	85,708

13. Dividends

	2012	2011
	HK$'000	HK$'000
(a) Final dividend for 2011 paid on 13th June, 2012 of HK1 cent (2010: HK1 cent) per share	**19,076**	19,076
(b) Interim dividend for 2012 paid on 13th September, 2012 of HK1 cent (2011: HK1 cent) per share	**19,076**	19,076
Total dividends paid	**38,152**	38,152
Special interim dividend for 2012 paid on 22nd February, 2013 of HK$1 (2011: nil) per share	**1,907,619**	-

On 25th January, 2013, the Board has declared a special interim dividend of HK$1 per share for the year ended 31st December, 2012 which was paid on 22nd February, 2013.

Final dividend of HK20 cents (2011: HK1 cent) per share has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. Earnings per Share

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

	2012 HK$'000	2011 HK$'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share		
Profit for the year attributable to owners of the Company:		
Continuing operations	**9,791,651**	3,492,371
Discontinued operation	**3,286**	5,445
Continuing and discontinued operations	**9,794,937**	3,497,816

	Number of shares 2012	2011
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,907,619,079**	1,907,619,079

Diluted earnings per share for the years ended 31st December, 2012 and 2011 were the same as the basic earnings per share as there were no diluting events during both years.

15. Stock of Properties

As set out in the Company's announcement dated 17th June, 2012, Moon Ocean Ltd. ("Moon Ocean"), a wholly-owned subsidiary of the Company, received a notice of preliminary hearing dated 15th June, 2012 ("First Notice") from the Land, Public Works and Transport Bureau of Macau Special Administrative Region of the People's Republic of China ("Macau") ("LPWT") regarding the transfers of the rights deriving from the land concession for the five plots of land adjacent to the Macau International Airport (according to the Company's record, formerly known as Lots 1C; 2; 3; 4 and 5 (parcel 5A & 5B), Avenida Wai Long, Taipa, Macao, and registered in the Macau Land Registry under Nos. 22993, 22991, 22995, 22990 and 22989 and now known as Lots 1C1; 1C2; 1C3; 2a; 2b; 2d; 3; 4a; 4b; 5a1; 5a2; 5a3; 5b1; 5b2; 5b3; 5b4; 5b5; 5b6; A3a; A3b; A4a; A4b; E1a; E1b; E2 and E3 and registered in the Macau Land Registry under No. 22989) ("Macau Land") from five Macau companies to which the land concession was originally granted ("Original Owners") to Moon Ocean ("Land Transfers") and the amendment of the related land concession contracts.

It was stated in the First Notice that (i) the Chief Executive of Macau had approved the initiation of the procedures for declaring the act of the Chief Executive of Macau in confirming the approval of the Land Transfers and the related amendments of the land concession contracts in March 2006 invalid and returning the Macau Land to the Original Owners ("Matters"); and (ii) Moon Ocean may make written submission regarding the Matters within 15 days from the receipt of the First Notice.

The Group's Macau legal adviser ("Macau Legal Advisor") made the submission which set out basis for opposing the Matters on 29th June, 2012 and as set out in the Company's announcement dated 14th August, 2012, Moon Ocean received a notice from the LPWT ("Second Notice") stating that (i) the Chief Executive of Macau had declared the previous act of the Chief Executive of Macau in confirming the approval of the Land Transfers and the related amendments of the land concession contracts in March 2006 invalid ("First Decision"); and (ii) Moon Ocean may present objection to the First Decision within 15 days from the gazetting of the First Decision and may also appeal to the Court of Second Instance of Macau. The First Decision was then published on the official bulletin of the Macau Government dated 15th August, 2012. It is also showed in the real estate registration certificate (物業登記證明) issued by the Macau Real Estate Registry of the Macau Government that there is registration of a note stating Moon Ocean's land title over the Macau Land is invalid. In addition, written report on real estate registration (物業登記書面報告) issued by the Macau Real Estate Registry of the Macau Government shows that the land title of the Macau Land is currently under the name of Lei Tin Development Company, Limited, which is a Macau company among the Original Owners and already dissolved.

15. Stock of Properties (continued)

On 4th September, 2012, Moon Ocean further received a notice of preliminary hearing ("Third Notice") from the LPWT which stated that (i) the Chief Executive of Macau had approved the initiation of the procedures for declaring the act of the Chief Executive of Macau in confirming the approval of the increase of residential gross floor area of the Macau Land from 392,505 to 537,560 square meters and an exchange of 9 small pieces of land with a total site area of approximately 1,282 square meters initially forming part of the Macau Land for 8 small pieces of adjacent land with a total site area of approximately 5,204 square meters as announced on 9th March, 2011 ("2011 Revision") was invalid ("Second Decision"); and (ii) Moon Ocean may make written submission on the issues regarding the subject matter of the above procedures within 15 days from the receipt of the Third Notice.

On 28th August, 2012, Moon Ocean filed an objection to the Chief Executive of Macau's Bureau against the Second Decision. On 14th September, 2012, as Moon Ocean had not received any reply from the Chief Executive of Macau regarding such objection and Moon Ocean and a purchaser of La Scala therefore jointly lodged an appeal to the Court of Second Instance of Macau against the First Decision on the same date ("Appeal"). Details of lodging the Appeal were disclosed in the Company's announcements on 28th August, 2012 and 14th September, 2012.

In preparing the consolidated financial statements of the Group for the year ended 31st December, 2012, the Directors have sought the legal opinion from the Macau Legal Adviser regarding the First Notice, the Second Notice, the Third Notice and the Appeal ("Macau Legal Opinion").

In the Macau Legal Opinion, it is pointed out that the First Decision and the Second Decision are immediately valid and enforceable and the appeal to the Court of Second Instance of Macau does not suspend the validity and enforceability of the First Decision. As such, legally speaking, Moon Ocean is no longer the registered owner of the Macau Land.

Regarding the probability of winning the Appeal, the Macau Legal Opinion states that there are strong legal arguments to win the Appeal and therefor for Moon Ocean to get back the Macau Land. However, it is further stated in the Macau Legal Opinion that in view of the past judicial case outcome (which is, somehow, similar to Moon Ocean's case) there is a plausible risk that Moon Ocean might not get the title of the Macau Land back.

The cost incurred in the Macau Land have been classified mainly into three types: (1) cost of acquisition of the land concession amounted to approximately HK$1,329,023,000 paid to the Original Owners ("Land Costs"); (2) premium paid to the Macau Government in relation to the 2011 Revision amounted to approximately HK$624,073,000 ("Premium"); and (3) other cost, incurred in the construction project of the Macau Land up to 31st December, 2012, amounted to approximately HK$542,357,000 ("Construction Costs").

It is stated in the Macau Legal Opinion and also set out in the Third Notice, pursuant to the provision of article 282 paragraph 1 of the 民法典 of the laws of Macau, the declaration of nullity of an act shall have retrospective effect and the interested parties shall return the objects exchanged in such act. As such, Moon Ocean shall be obliged to return the Macau Land and vice versa, the Original Owners and the Macau Government shall return the Land Costs and the Premium to Moon Ocean respectively.

Based on the Macau Legal Opinion, the First Notice, the Second Notice and the Third Notice and all information available, the Land Costs, the Premium and the Construction Costs were reclassified to debtors, deposits and prepayments (Note 16).

16. Debtors, Deposits and Prepayments

Trade receivables:

Included in debtors, deposits and prepayments are trade receivables of approximately HK$35,381,000 (2011: HK$12,839,000) comprised rental receivables billed in advance and settlements from tenants are expected upon receipts of billings and properties sales proceeds receivables.

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

	2012	2011
	HK$'000	HK$'000
0 - 30 days	**4,264**	3,150
31 - 60 days	**22,244**	977
61 - 90 days	**1,201**	588
Over 90 days	**7,672**	8,124
	35,381	12,839

Deposits and prepayment as at 31st December, 2012 mainly comprised the following:

Included in the deposits and prepayments were (i) the Construction Costs reclassified from the stock of properties of which details were set out in Note 15 to the consolidated financial statements and (ii) the deposits and prepayments related to the costs incurred in which were mainly for the presale of the residential units in the property project of the Macau Land of approximately HK$152,380,000 (excluding inter-company transaction of approximately HK$5,488,000 in respect of rental charges and building management fee of office premises charged to Moon Ocean by its fellow subsidiary) ("Macau Project Costs"). As set out in the Macau Legal Opinion, depending on the evidence to be produced in Macau court in connection therewith, it is probable for Moon Ocean to claim back the Construction Costs and the Macau Project Costs from the Macau Government. However, due to the nature that there is no contractual right or obligation that the Macau Government to return Moon Ocean the Construction Costs and the Macau Project Costs, they were recognised as "costs of development recognised in respect of property project in Macau" of approximately HK$694,737,000 in the consolidated statement of comprehensive income.

The Directors are of the opinion that the Group shall pursue to claim the Macau Government the Construction Costs and the Macau Project Costs through legal processes should the outcome of the Appeal be unfavourable to Moon Ocean. Based on the Macau Legal Opinion, the Directors are of the opinion that it is probable for the Group to claim back the Construction Costs and the Macau Project Costs.

Other receivables as at 31st December, 2012 mainly comprised the following:

(a) As detailed in Note 15, included in other receivables were the Land Costs and the Premium which were reclassified from the stock of properties.

    The Directors are in the opinion that based on the Third Notice and the Macau Legal Opinion, by mere operation of the laws of Macau, the Original Owners and the Macau Government shall be obliged to return the Land Costs and the Premium to Moon Ocean respectively should the outcome of the Appeal be unfavourable to Moon Ocean.

16. Debtors, Deposits and Prepayments (continued)

(a) (continued)

Up to the date of the approval of these consolidated financial statements, only one Macau company, Tai Lei Loi Development Company, Limited exists and the other four Macau companies among the Original Owners were dissolved ("Dissolved Original Owners"). As stated in the Macau Legal Opinion, the shareholders of the Dissolved Original Owners shall have the obligation to return the Land Costs to Moon Ocean under laws of the Macau. It is further pointed out in the Macau Legal Opinion that, the shareholders of the Dissolved Original Owners are (1) the Macau Government, holder of a quota equivalent to 88% of the share capital of each of the Dissolved Original Owners; (2) Sociedade de Turismo e Diversoes De Macau, SARL, holder of a quota equivalent to 5% of the share capital of each of the Dissolved Original Owners; (3) CAM – Sociedade do Aeroporto Internacional de Macau, SARL, holder of a quota equivalent to 5% of the share capital of each of the Dissolved Original Owners; and (4) Companhia de Investimento Tai Fok Wah, Limitada, holder of a quota equivalent to 2% of the share capital of each of the Dissolved Original Owners.

Up to the date of the approval of these consolidated financial statements, the Appeal is still in progress and there is no notice from the Court of Second Instance of Macau of the timing for legal procedures to be conducted.

(b) On 5th September, 2012, the Company and Loyal Pride Limited ("Vendor"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement in relation to the disposal of 49% of the entire issued share capital of Grandday Group Limited ("Grandday") with Dynamic Grand Limited ("Purchaser") at a total consideration of US$500,000,000 ("Grandday Disposal"), which was satisfied by way of (i) cash as to US$200,000,000; and (ii) the issuance of the loan note by the Purchaser to the Vendor in the principal amount of US$300,000,000 ("Loan Note").

The Loan Note with maturity date of 7th June, 2013, secured by the share charge over the 49 shares in Grandday, carries interest at (i) 2% per annum for the period from the date of completion of the Grandday Disposal to but excluding the date falling six months thereafter ("Step-Up Date"); and (ii) 12% per annum for the period from and including the Step-Up Date to the date on which the Loan Note is fully repaid or redeemed. Details of the Grandday Disposal were set out in the announcement of the Company dated 5th September, 2012.

The carrying amount of the Loan Note, which is included in other receivables, as at 31st December, 2012 was approximately HK$2,327,070,000.

The Directors consider that the carrying amounts of the Group's debtors, deposits and prepayments at the end of the reporting period approximate to their fair values.

17. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK$339,738,000 (2011: HK$520,513,000).

The following is the aged analysis of trade payables at the end of the reporting period:

	2012	2011
	HK$'000	HK$'000
0 - 90 days	**36,717**	82,250
Over 90 days	**303,021**	438,263
	339,738	520,513

The Directors consider that the carrying amounts of the Group's creditors and accruals at the end of the reporting period approximate to their fair values.

18. Assets Classified as Held For Sale/Liabilities Directly Associated with Assets Classified as Held For Sale

a) **Chi Cheung Disposal and View Success Acquisition**

As disclosed in Note 12, on 5th December, 2012, the Group entered into the sale and purchase agreements for the Chi Cheung Disposal and the View Success Acquisition. As a result, the assets and liabilities of Chi Cheung Group, excluding those of View Success which did not form part of the consolidated net assets disposed of by the Group, have been presented as assets classified as held for sale and liabilities directly associated with assets classified as held for sale respectively as at 31st December, 2012 in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

b) **Disposal of certain units of an investment property ("Investment Property Disposal")**

During the year, an indirect non-wholly owned subsidiary of the Company has entered into sale and purchase agreements with independent third parties in relation to the sales of certain units of an investment property located in Hong Kong with an aggregate carrying value of approximately HK$14,290,000 at a total consideration of HK$18,548,000. The transactions were completed subsequent to the end of the reporting period. In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", these investment properties have been presented as assets classified as held for sale in the consolidated statement of financial position as at 31st December, 2012.

The major classes of assets and liabilities of the Chi Cheung Disposal and the Investment Property Disposal in aggregate classified as assets held for sale and liabilities directly associated with assets classified as held for sale respectively are as follows:

	2012 **HK$'000**	2011 HK$'000
Investment properties	**14,290**	**-**
Available-for-sale investments	**98,057**	**-**
Debtors, deposits and prepayments	**1,735**	**-**
Time deposits and bank balances	**33,487**	**-**
Assets classified as held for sale	**147,569**	**-**
Creditors and accruals	**279**	**-**
Tax liabilities	**1,694**	**-**
Liabilities directly associated with assets classified as held for sale	**1,973**	**-**

19. Disposal of Subsidiaries

G-Prop Disposal

As disclosed in Note 12, the First Vendor and the Second Vendor entered into a sale and purchase agreement pursuant to which the Purchaser of G-Prop agreed to purchase a total of 1,512,059,473 shares in G-Prop ("G-Prop Shares") at an aggregate consideration of approximately HK$423,661,000 (of which approximately HK$285,338,000 was payable to the First vendor and approximately HK$138,323,000 was payable to the Second Vendor). G-Prop Shares represented (i) all the shares of G-Prop held by the Group and the Second Vendor; and (ii) approximately 62.26% of the entire issued share capital of G-Prop with approximately 41.93% held by the Group and approximately 20.33% held by the Second Vendor. The consideration to the First Vendor was satisfied by the Purchaser of G-Prop in cash of approximately HK$65,968,000 and by promissory notes of approximately HK$219,370,000. Details of the G-Prop Disposal were disclosed in the announcement of the Company dated 17th June, 2012.

The G-Prop Disposal was completed on 6th August, 2012. Upon completion, G-Prop Group ceased to be subsidiaries of the Group and their consolidated results, assets and liabilities ceased to be consolidated with those of the Group.

The net assets of G-Prop Group at the date of disposal were as follows:

	HK$'000
Investment property	**33,700**
Goodwill	**6,941**
Loan to the Group	**220,000**
Interests in jointly controlled entities	**-**
Available-for-sale investments	**79,049**
Debtors, deposits and prepayments	**672**
Time deposits and bank balances	**156,723**
Creditors and accruals	**(110,667)**
Deposit and receipts in advance	**(391)**
Tax liabilities	**(15)**
Deferred tax liabilities	**(17)**
Net assets disposed of	**385,995**
Non-controlling interest	**(211,996)**
Cumulative loss on available-for-sale investments reclassified from equity	**2,085**
Gain on disposal of subsidiaries	**106,955**
	283,039
Satisfied by:	
Cash consideration received	**65,968**
Promissory notes received	**219,370**
Expenses incurred for disposal	**(2,299)**
	283,039
Net cash inflow arising on disposal:	
Cash consideration	**65,968**
Promissory notes (note)	**219,370**
Expenses incurred for disposal	**(2,299)**
Time deposits and bank balances disposed of	**(156,723)**
	126,316

The gain on G-Prop Disposal was included in other gains and losses, net in Note 10 to the consolidated statement of comprehensive income.

Note: The promissory notes, which carried interest at a fixed rate of 12% per annum with maturity date of 5th November, 2012, were fully repaid during the year.

20. Capital Commitments

	2012	2011
	HK$'000	HK$'000
Authorised and contracted for:		
Development expenditure of properties in Hong Kong	**612,980**	314,274
Development expenditure of properties in Mainland China	**4,325,394**	5,164,854
Development expenditure of properties in Macau	**2,781,962**	500,873
Share of commitment of an associate	**571,202**	71,164
Renovation of properties	**2,305**	19,387
	8,293,843	6,070,552
Authorised but not contracted for:		
Development expenditure of properties in Hong Kong	**-**	205,320

21. Contingent Liabilities

(a) The Appeal to the Court of Second Instance of Macau with regard to the First Decision and the Second Decision.

As disclosed in Notes 15 and 16, Moon Ocean filed the Appeal to the Court of Second Instance of Macau against the First Decision. Up to the date of the approval of these consolidated financial statements, the Appeal is still in progress and there is no notice from the Court of Second Instance of Macau of the timing for legal procedures to be conducted.

During the course of the development of La Scala project on the Macau Land, Moon Ocean has entered into construction contracts with certain contractors. The aggregate amount of these construction contracts are approximately HK$2,782 million as at 31st December, 2012. Although none of construction contractors, including China Construction Engineering (Macau) Company Limited which is the main construction contractor with construction contract sum of HK$2,252,677,000, has commenced construction work on the Macau Land. In case of final outcome of the Appeal is unfavourable to the Group, Moon Ocean may consider entering into cancellation agreements with these contractors for the development of La Scala project on the Macau Land. Adjustments may need to be made to the liabilities arising from the outstanding contractual obligations under these construction contracts should there be claims from construction contractors.

Regarding the presale of La Scala project on the Macau Land commenced since March 2012, the Group recorded contracted sales on sale of properties of approximately HK$3,825 million as at 31st December, 2012 representing presale of 302 units of La Scala project, after cancellation of 2 contracted sales, and sales deposits of approximately HK$384 million have been received by the Group. In case of the outcome of the Appeal is unfavourable to the Group, Moon Ocean may consider entering into cancellation agreements with purchasers of La Scala project in the presale and refunding the deposits received. Adjustments may need to be made should there be claims made by purchasers of La Scala in the presale.

The Directors are of the opinion that the Group will pursue for further legal proceedings to appeal to the First Decision and the Second Decision. The Directors are of the opinion that, based on the Macau Legal Opinion, there is strong legal argument to win the Appeal.

21. Contingent Liabilities (continued)

(b) Litigation in respect of a presale transaction of one unit of La Scala

On 3rd March, 2012, two purchasers of La Scala ("Plaintiffs") jointly signed a binding offer letter with Moon Ocean for which the Plaintiffs agreed to acquire one residential unit in La Scala ("Binding Offer Letter"). According to the Binding Offer Letter, the Plaintiffs paid the first deposit amount to approximately HK$603,000 ("First Deposit") to Moon Ocean on the date of signing the Binding Offer Letter.

On 18th July, 2012, the Court of First Instance of Macau issued a writ of summons to Moon Ocean regarding to (i) the request from the Plaintiffs to cancel the Binding Offer Letter and (ii) claim against Moon Ocean to return the First Deposit as the terms of the Binding Offer Letter are inconsistent with the pre-sale agreement ("Litigation"). On 24th September, 2012, the lawyer of Moon Ocean representing Moon Ocean filed a defence to the Court of First Instance of Macau.

Up to the date of the approval of these consolidated financial statements, no judgement of the Litigation is issued by the Court of First Instance of Macau. The Directors consider that the Litigation is still in the preliminary stage and the outcome of the Litigation is uncertain.

	2012	2011
	HK$'000	HK$'000
(c) Other contingent liabilities:		
Guarantees given to banks, in respect of banking facilities utilised by associates and an investee company	**822,500**	1,068,100
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	**15,000**	15,000
Repurchase guarantee given to banks in respect of mortgages facilities given to property purchasers by subsidiaries	**302,586**	94,399
	1,140,086	1,177,499

22. Comparative Figures

Certain comparative figures have been reclassified to separately reflect the results of the continuing operations and discontinued operation and to conform with the current year's presentation.

DIVIDEND

The Board has recommended the payment of a final dividend of HK20 cents per share for the Year (the "Final Dividend") (2011: HK1 cent per share).

Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 23rd May, 2013 (the "2013 AGM"), dividend warrants will be posted on or about 10th June, 2013 to shareholders whose names appear on the register of members of the Company on 30th May, 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the members' eligibility to attend and vote at the 2013 AGM, and entitlement to the recommended Final Dividend, the register of members will be closed during the following periods respectively:

(a) ***For ascertaining eligibility to attend and vote at the 2013 AGM:***

Latest time to lodge transfers documents for registration	4:30 p.m. on 16th May, 2013
Closure of register of members	20th May, 2013 to 23rd May, 2013 (both days inclusive)

(b) ***For ascertaining entitlement to the recommended Final Dividend:***

Latest time to lodge transfers documents for registration	4:30 p.m. on 28th May, 2013
Closure of register of members	29th May, 2013 to 30th May, 2013 (both days inclusive)
Record date	30th May, 2013

To be eligible to attend and vote at the 2013 AGM, and to qualify for the recommended Final Dividend, all properly completed share transfers documents accompanied by the relevant share certificates must be lodged for registration with the Company's Branch Registrar and Transfer Office in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than the respective latest time as stated above.

FINANCIAL OPERATION REVIEW

Results

Continuing Operations

Revenue

Revenue for the Year amounted to HK$2,433.5 million (year ended 31st December, 2011: HK$527.8 million), a 361.1% increase over last year and comprised gross rental income HK$1,673.2 million (year ended 31st December, 2011: HK$1,513.8 million); property sales HK$720.5 million (year ended 31st December, 2011: HK$189.9 million), loss on sales of investments held-for-trading on a net basis HK$9.2 million (year ended 31st December, 2011: HK$1,227.6 million) and others HK$49.0 million (year ended 31st December, 2011: HK$51.7 million). The increase in revenue was mainly due to the increase in sales of development properties and decrease in recognised loss on listed securities investments.

Gross Profit

Gross profit for the Year amounted to HK$1,865.0 million (year ended 31st December, 2011: HK$283.3 million), an 558.3% increase as compared with last year which was mainly due to the decrease in loss of HK$1,218.4 million from sale of listed securities investments and increase in profit of HK$205.4 million from property sales.

Property Leasing

For property leasing, the rental revenue in retail section jumped by 15.0% to HK$1,083.6 million and rental revenue in non-retail section jumped by 3.2% to HK$589.6 million respectively during the Year. The total rental income in revenue for the Year recorded an increase of 10.5% to HK$1,673.2 million as compared with 2011 of HK$1,513.8 million.

Together with the attributable rental revenue generated from associates of HK$217.4 million (year ended 31st December, 2011: HK$200.9 million), the total attributable rental revenue to the Group after non-controlling interests reached approximately HK$1,887.0 million (year ended 31st December, 2011: HK$1,710.9 million), which achieved an 10.3% increase over last year.

Attributable net rental income for the Year showed HK$1,740.6 million, an 11.4% increase over HK$1,561.8 million in 2011.

Property Development and Trading

During the Year, the attributable properties sales revenue and the relevant attributable profit from the Group and its associates recorded a decrease of 72.2% to HK$949.6 million (year ended 31st December, 2011: HK$3,419.6 million) and decrease of 59.9% to HK$357.2 million (year ended 31st December, 2011: HK$891.6 million) respectively.

The Group expects a substantial generation of sales revenue and recognition of attributable profit in the early of 2013 from the presales of properties, namely One WanChai in Wanchai (87.5% interest), The Coronation in West Kowloon (15% interest) as well as the remaining units of Phase II of Splendid City in Chengdu.

The major components recorded in gross profit are sales of: i-home in Tai Kok Tsui, City 151 in Kau Pui Lung Road, Phase II of Splendid City and Phase I of The Metropolis, Chengdu generated a profit of HK$19.8 million, HK$0.1 million, HK$83.1 million and HK$137.9 million respectively while MOD 595 in Mongkok recorded a loss of HK$0.2 million and Phase I of Splendid City, after taking into account of an underprovision of construction costs of HK$7.5 million, resulting in a loss of HK$5.3 million (year ended 31st December, 2011: profits on sales of MOD 595 of HK$4.2 million, i-home of HK$11.3 million, York Place in Wanchai of HK$38.5 million and loss on sale of Phase I of Splendid City of HK$21.7 million).

Parking spaces at The Zenith in Wanchai (87.5% interest) sold during the Year had contributed an attributable profit to the Group of HK$6.4 million (year ended 31st December, 2011: HK$6.0 million).

In respect of properties held by associates, The Hermitage in West Kowloon (25% interest), Indihome in Tsuen Wan (50% interest), Hing Wai Centre in Aberdeen (50% interest), Kwong Kin Trade Centre in Tuen Mun (40% interest), Greenville Residence in Yuen Long (50% interest) and Villa Carlton in Cheung Sha Wan (50% interest) and Shiu Fai Terrace in Stubbs Road (50% interest) generated profit of HK$17.8 million, HK$89.3 million, HK$6.8 million, HK$0.9 million, HK$0.2 million, HK$0.3 million and HK$0.1 million respectively (year ended 31st December, 2011: The Hermitage of HK$834.6 million, Hing Wai Centre of HK$1.6 million, Kwong Kin Trade Centre of HK$0.4 million and Villa Carlton of HK$0.2 million) as reflected in the share of results of associates. For the year ended 31st December, 2011, the sale of Parc Palais in Homantin (10% interest) contributed of HK$16.5 million to investment income.

During the Year, the forfeited deposits received for Splendid City of HK$0.4 million (year ended 31st December, 2011: Splendid City of HK$0.1 million and The Metropolis of HK$0.1 million) was recorded in other income.

At 31st December, 2012, deposits received from stock of properties contracted to be sold and revenue to be recognised in 2013 amounted to HK$2,621.1 million. Of which, HK$321.2 million deposits was received from Phase II of Splendid City, with average selling price of approximately Renminbi ("RMB") 0.9 million per unit. The presale recorded for Phase II of Splendid City was 486 units of RMB419.8 million (equivalent to approximately HK$522.2 million). Besides, the presale recorded for One WanChai as at 31st December, 2012 was 193 units of HK$1,970.4 million, with average selling price of approximately HK$16,000 per square foot, and the attributable interest of sales to the Group was HK$1,724.1 million. Revenue and profit from sales of both Phase II of Splendid City and One WanChai are expected to be recognised in 2013. The presale recorded for The Coronation was 738 units and the attributable interest of sales to the Group was HK$1,450.9 million.

The presale recorded of La Scala in Macau was 302 units of HK$3,825.3 million with deposit received of HK$383.9 million.

In summary, the Group together with associates and an investee company, executed properties sale agreements, including presale agreements, to third parties and connected persons (as disclosed in the section headed "Other Information and Events after the Reporting Period") with an attributable amount contracted sales of HK$7,667.8 million (including La Scala) (year ended 31st December, 2011: HK$1,176.4 million) during the Year. Total attributable property sale profit recognised for the Year was HK$357.2 million (year ended 31st December, 2011: HK$891.6 million).

Securities Investments

Under the low interest environment, the Group has closely managed the securities investments with a view to yield enhancement. During the Year, the Group recorded a realised loss of HK$9.2 million (year ended 31st December, 2011: HK$1,227.6 million) on disposal of listed investments held-for-trading (the loss of which was included in revenue) with gross proceeds of HK$1,489.4 million (year ended 31st December, 2011: HK$4,956.7 million). In addition, a realised gain from sale of bonds of HK$275.7 million (year ended 31st December, 2011: loss of HK$21.0 million) was recognised. The net realised gain for the Year was HK$266.5 million (year ended 31st December, 2011: net realised loss of HK$1,248.6 million).

Furthermore, the Group recorded an unrealised gain of HK$1,307.3 million (year ended 31st December, 2011: unrealised loss of HK$1,368.3 million) representing the changes in fair value of listed securities and bonds, which had no effect to the cash flow of the Group.

During both years, there was no acquisition and disposal on listed equity securities included in available-for-sale investments.

Summing up the above and adding the net income from dividend, interest income, other investment income and other finance costs of HK$843.2 million (year ended 31st December, 2011: HK$646.0 million), the gain recognised on securities investments was HK$2,417.0 million (year ended 31st December, 2011: loss of HK$1,970.9 million).

The respective income/expense from securities investments under different categories are further elaborated below.

Listed Available-for-sale Equity Investments

The Group had not acquired and disposed any listed available-for-sale equity investments for the years of 2012 and 2011.

Listed Investments Held-for-trading and Treasury Products

The listed investments held-for-trading and treasury products recorded a profit before or after finance costs of HK$2,441.3 million (year ended 31st December, 2011: loss of HK$1,924.8 million) and HK$2,417.0 million (year ended 31st December, 2011: loss of HK$1,970.9 million) respectively for the Year.

Profit (2011: loss) from the listed investments held-for-trading reflected in the consolidated statement of comprehensive income for the Year comprised a gross loss totaling HK$9.2 million (year ended 31st December, 2011: HK$1,227.6 million), an unrealised gain on fair value changes amounted to HK$1,307.3 million (year ended 31st December, 2011: unrealised loss of HK$1,368.3 million), a realised gain on bonds of HK$275.7 million (year ended 31st December, 2011: realised loss of HK$21.0 million) and dividend, interest income and other investment income of HK$867.5 million (year ended 31st December, 2011: dividend and interest income of HK$692.1 million). Net relevant finance costs for the Year of HK$24.3 million (year ended 31st December, 2011: HK$46.1 million) including interest expense of HK$33.8 million but after exchange gain of HK$9.5 million (year ended 31st December, 2011: interest expense of HK$26.2 million, exchange loss of HK$7.9 million and other finance cost of HK$12.0 million).

Unlisted Securities Investment

On 5th September, 2012, Loyal Pride Limited ("Vendor"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Dynamic Grand Limited ("Purchaser"), pursuant to which the Purchaser agreed to acquire and the Vendor agreed to dispose 49% of entire issued share capital of Grandday at a total consideration of US$500.0 million (equivalent to approximately HK$3,878.5 million) which was satisfied upon completion by way of (i) cash as to US$200.0 million (equivalent to approximately HK$1,551.4 million); and (ii) the issuance of the Loan Note by the Purchaser to the Vendor in the principal amount of US$300.0 million (equivalent to approximately HK$2,327.1 million). The Grandday Disposal was completed on 7th September, 2012 which resulting in a realised loss of HK$10.5 million (year ended 31st December 2011: nil) included in investment income, net for the Year.

Other Income and Expenses

Other income mainly comes from net building management fee income and management and maintenance service income decreased to HK$78.7 million (year ended 31st December, 2011: HK$255.1 million (restated)), representing a decrease of 69.1% as compared with last year. Other income for the Year also included interest income from the Loan Note of HK$15.0 million (year ended 31st December, 2011: nil). Arrangement fee income of HK$195.0 million included in the other income of last year primarily accounted for the decrease for the Year.

During the Year, administrative expenses increased by 3.2% to HK$281.8 million (year ended 31st December, 2011: HK$273.1 million (restated)), costs of development recognised in respect of property project in Macau of HK$694.7 million arose from the administrative procedures for repossession of land in Macau by Macau Government (year ended 31st December, 2011: nil) and finance costs increased by 4.3% to HK$344.8 million (year ended 31st December, 2011: HK$330.7 million), net of exchange gain of HK$9.5 million (year ended 31st December, 2011: exchange loss of HK$7.9 million) on foreign currency loan hedged for foreign currency securities investments.

Other gains and losses recorded a net gain of HK$235.3 million, mainly comprised of gain on disposal of G-Prop of HK$107.0 million and revaluation of stock of properties upon transfer to investment properties of HK$129.0 million (year ended 31st December, 2011: HK$78.3 million including reversal of provision for construction cost on contingency claims made in prior years of HK$16.1 million and gain on disposal of a subsidiary to a connected person of HK$66.8 million).

Disposals of Listed Subsidiaries

On 16th June, 2012, Mass Rise Limited, an indirect wholly-owned subsidiary of the Company ("First Vendor") and Asian Kingdom Limited, a company indirectly wholly-owned by a controlling shareholder and Director of the Company ("Second Vendor"), being vendors, have entered into a sale and purchase agreement pursuant to which an independent third party agreed to purchase a total of 1,512,059,473 shares in G-Prop ("G-Prop Shares") at an aggregate consideration of approximately HK$423.7 million (of which approximately HK$285.3 million was paid to the First Vendor and approximately HK$138.3 million was paid to the Second Vendor). G-Prop Shares represented (i) all the shares of G-Prop held by the Group and the Second Vendor; and (ii) approximately 62.26% of the entire issued share capital of G-Prop with approximately 41.93% held by the Group and approximately 20.33% held by the Second Vendor ("G-Prop Disposal"). The G-Prop Disposal was completed on 6th August, 2012. Details of the G-Prop Disposal were disclosed in the announcement of the Company dated 17th June, 2012.

On 5th December, 2012, (i) Billion Up Limited ("Billion Up"), an indirect wholly-owned subsidiary of the Company; (ii) the Company, being the guarantor of Billion Up; and (iii) a third party independent of and not connected with the Company and its connected persons ("Purchaser of Chi Cheung") entered into a sale and purchase agreement pursuant to which Billion Up agreed to sell and the Purchaser of Chi Cheung agreed to purchase the shares of Chi Cheung held by the Group, representing approximately 61.96% of the entire issued share capital of Chi Cheung ("Chi Cheung Disposal"). The Chi Cheung Disposal was completed on 6th February, 2013. Details of the Chi Cheung Disposal were disclosed in the announcement of the Company dated 5th December, 2012.

Associates

The share of results of associates for the Year was a profit of HK$580.0 million as compared to HK$1,241.7 million for last year, which was mainly due to the decrease in recognition on attributable profit from sale of The Hermitage from HK$834.6 million to HK$17.8 million and attributable profit from sale of Indihome HK$89.3 million (year ended 31st December, 2011: nil).

Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 31st December, 2012, by B.I. Appraisals Limited ("B.I. Appraisals") whereas the investment property in the United Kingdom was revalued by Peak Vision Appraisals Limited ("Peak Vision Appraisals"). Both B.I. Appraisals and Peak Vision Appraisals are independent property valuers. An increase in fair value of HK$6,109.0 million (year ended 31st December, 2011: HK$2,959.6 million) was recorded during the Year mainly as a result of the upturn of the properties markets in Hong Kong and Mainland China. This unrealised fair value gain will not affect the cash flow of the Group.

Discontinued Operation

The business segment of "floating rate and fixed rate notes" on available-for-sale investments was discontinued during the Year as a result of the G-Prop Disposal and Chi Cheung Disposal (as disclosed in the paragraph "Disposals of Listed Subsidiaries" above). Details of the discontinued operation are set out in Note 12 to the consolidated statement of comprehensive income for the Year.

Profit, Core Profit, Dividends, Repurchase and Cash Payment Ratio

<u>Continuing and discontinued operations</u>

<u>Profit</u>

Profit attributable to owners of the Company for the Year was HK$9,794.9 million as compared to HK$3,497.8 million for last year. The increase in profit for the Year was mainly due to (i) the increase in fair value gain on investment properties, (ii) fair value gain of bonds as opposed to a fair value loss for last year, (iii) the decrease in loss of sale of listed investments held-for-trading; and (iv) the increase in interest income from bonds. Earnings per share for the Year was HK$5.14 (year ended 31st December, 2011: HK$1.83).

<u>Core Profit</u>

If the net gain on the major non-cash items of HK$5,815.8 million (year ended 31st December, 2011: HK$3,283.3 million are excluded, the Group will have a core profit attributable to owners of the Company for the Year of HK$3,979.1 million (year ended 31st December, 2011: HK$214.5 million) and a core earnings per share of HK208.6 cents (year ended 31st December, 2011: HK11.2 cents), which were both 18.6 times to those of 2011 respectively.

The major non-cash items were fair value gain on investment properties, gain on revaluation of stock of properties together with their respective deferred tax and costs of development recognised in respect of property project in Macau totaling HK$5,815.8 million (year ended 31st December, 2011: HK$3,283.3 million).

<u>Dividends</u>

Final dividend of HK1 cent (year ended 31st December, 2010: HK1 cent) per share in total amount of HK$19.1 million for the year ended 31st December, 2011 was paid in cash on 13th June, 2012.

Interim dividend of HK1 cent (half year ended 30th June, 2011: HK1 cent) per share in total amount of HK$19.1 million for the half year ended 30th June, 2012 was paid in cash on 13th September 2012.

Total dividends of HK$38.2 million were paid in cash during the Year.

Special interim dividend of HK$1 (year ended 31st December, 2011: nil) was declared by the Board on 25th January, 2013 and was paid on 22nd February, 2013.

<u>Repurchase</u>

During the Year, the Company had not repurchased any of the Company's share.

<u>Cash Payment Ratio</u>

Based on (a) the core profit for the Year of HK$3,979.1 million (year ended 31st December, 2011: HK$214.5 million) or HK208.6 cents (year ended 31st December, 2011: HK11.2 cents) per share; and (b) cash final dividend of HK20 cents (year ended 31st December, 2011: HK1 cent) per share proposed and interim dividend of HK1 cent (half year ended 30th June, 2011: HK1 cent) per share was paid during the Year; and (c) special interim dividend HK$1.0 (year ended 31st December, 2011: nil) per share was declared and paid subsequent to the year end date, the ratio of such cash payment to the core profit is 58.0% (year ended 31st December, 2011: 17.9%).

Net Asset Value

As at 31st December, 2012, the Group's total net asset to owners of the Company amounted to approximately HK$45,546.5 million (31st December, 2011: HK$35,651.3 million), an increase of HK$9,895.2 million or 27.8% when compared with 31st December, 2011. With the total number of ordinary shares in issue of 1,907,619,079 as at 31st December, 2012 (31st December, 2011: 1,907,619,079 shares), the net asset value per share to owners of the Company was HK$23.88, an increase of 27.8% over 31st December, 2011 (HK$18.69 per share). The movement in net asset value was mainly due to (a) total comprehensive income for the Year attributable to owners of the Company of HK$9,931.3 million; and (b) payment of final dividend and interim dividend both of HK$19.1 million.

There was no transaction on the listed equity securities investments categorised as available-for-sales investments for the Year. The carrying amounts of the listed equity securities investments reserve as at 31st December, 2012 and 31st December, 2011 were nil.

Other than the G-Prop Disposal, Chi Cheung Disposal (completed on 6th February, 2013), the existing projects and those disclosed in the annual results, the Group did not have material acquisition or disposal of assets and any future plans for material investment or capital assets.

Securities Investments

As at 31st December, 2011, the carrying amount of the listed securities investments and treasury products was HK$5,741.5 million. During the Year, the portfolio was increased by a net purchase of HK$3,677.1 million. After adding the fair value gain of HK$1,307.3 million for the Year, the listed securities investments portfolio of the Group became HK$10,725.9 million as at 31st December, 2012 representing 14.4% of total assets, which formed part of the Group's cash management activities.

As at 31st December, 2012, the portfolio of HK$10,725.9 million (31st December, 2011: HK$5,741.5 million) comprised (a) equity securities (investment held-for-trading) of HK$156.3 million (31st December, 2011: HK$514.9 million) and (b) bonds (financial assets designated as at fair value through profit or loss) of HK$10,569.6 million (31st December, 2011: HK$5,226.6 million).

Unlisted Equity Securities

During the year, the Group had disposed the unlisted equity securities mainly consisted of 49% of the entire issued share capital of Grandday with carrying amount of US$500 million (equivalent to approximately HK$3,889.0 million) (31st December, 2011: approximately HK$3,889.0 million), which indirectly held the land located at the southeast exterior of Yin Xing Ken District, Yinyang Town, Qidong, Jiangsu Province, the People's Republic of China. Details of the transaction were set out in the announcement of the Company dated 5th September, 2012.

Notes Held by Listed Subsidiaries

Decrease for the Year mainly represented the floating rate notes which were disposed of with the G-Prop Disposal. As at 31st December, 2012, the carrying amount of the fixed rate notes amounted to HK$98.1 million held by Chi Cheung was classified as assets held-for-sale as a result of the Chi Cheung Disposal.

Risk Management

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control various types of risk it faces. This is supplemented by active management involvement, effective internal controls and adequate internal audit in the best interests of the Group.

Equity

The number of issued ordinary shares as at 31st December, 2012 and 31st December, 2011 were 1,907,619,079.

Debt and Gearing

As at 31st December, 2012, the Group's bank and other borrowings amounted to HK$23,507.6 million (31st December, 2011: HK$22,690.7 million). Cash and deposits at banks (excluding time deposits and bank balances classified as assets held-for-sale) amounted to HK$4,786.5 million (31st December, 2011: HK$4,268.5 million), pledged deposits amounted to HK$2,232.5 million (31st December, 2011: HK$1,705.0 million) and net borrowings amounted to HK$16,488.6 million (31st December, 2011: HK$16,717.2 million).

Total debt to equity ratio was 51.1% (31st December, 2011: 62.4%) and net debt to equity ratio was 35.9% (31st December, 2011: 46.0%), which are expressed as a percentage of total borrowings, and net borrowings, respectively, over the total equity of HK$45,978.3 million (31st December, 2011: HK$36,368.0 million). The decrease of total debt to equity ratio and net debt to equity ratio were mainly due to the increase in total equity.

However, if the listed securities investments and treasury products of HK$10,725.9 million (31st December, 2011: HK$5,741.5 million) are included, the net debt to equity ratio will be 12.5% (31st December, 2011: 30.2%).

As at 31st December, 2012, the Group's bank and other borrowings were denominated in Hong Kong dollar (51.6%), United States dollar (28.2%), Pound Sterling ("GBP") (13.9%) and RMB (6.3%). Of the Group's bank and other borrowings of HK$23,507.6 million, 60.3%, 1.0% and 38.7% were repayable within 1 year, 1 to 2 years and 2 to 5 years respectively. United States dollar investment securities were hedged by United States dollar borrowings. The Group's bank and other borrowings in Hong Kong dollars and United States dollars were carried at interest rates calculated mainly with reference to HIBOR/cost of funds; bank borrowings in Pound Sterling were effectively carried at fixed rate; and bank borrowings in Renminbi were carried at interest rates calculated with reference to borrowing rates quoted by Peoples' Bank of China. As at 31st December, 2012, about 86.2% of the Group's borrowing were on floating rate basis and 13.8% were on fixed rate basis. No hedging for interest rate is subsisted at the end of the reporting period.

Pledge of Assets

As at 31st December, 2012, the Group had pledged the following assets:

(a) The Group's investment properties, properties and other fixed assets, stock of properties and time deposits with their respective carrying amount of approximately HK$39,283.9 million (31st December, 2011: HK$32,981.7 million), HK$481.9 million (31st December, 2011: HK$485.1 million), nil (31st December, 2011: HK$2,626.3 million) and HK$426.6 million (31st December, 2011: HK$411.6 million) were pledged to the Group's bankers to secure general banking and loan facilities granted to the Group.

(b) The Group's held-for-trading and bonds with carrying amount of approximately HK$10,706.6 million (31st December, 2011: HK$5,741.3 million) and cash deposit of approximately HK$1,806.0 million (31st December, 2011: HK$1,293.4 million) were pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions, of which approximately HK$6,796.7 million (31st December, 2011: HK$3,300.7 million) was utilised as at 31st December, 2012 as borrowings due within one year.

(c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.

(d) The Group has subordinated and assigned its advances to associates of approximately HK$1,567.5 million (31st December, 2011: advances to associates and an investee company of HK$1,920.0 million) to financial institutions to secure general banking credit facilities granted to the associates (31st December, 2011: granted to associates and an investee company).

Repurchase Guarantee

Certain mortgagee banks have provided end-user financing to purchasers of Splendid City and The Metropolis and the Group has provided repurchase guarantees to these mortgagee banks for securing the obligations of such purchasers for repayments. Such guarantees will be terminated upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the mortgagee banks.

The total outstanding amount of repurchase guarantee as at 31st December, 2012 was RMB243.2 million (equivalent to approximately HK$302.6 million) (31st December, 2011: RMB76.7 million (equivalent to approximately HK$94.4 million)) and disclosed in the contingent liabilities.

Financial and Interest Income/Expenses

Continuing and Discontinued Operations

Interest income was included in revenue, other income and investment income. Interest income for the Year was HK$993.8 million, representing an increase of 27.4% from that of 31st December, 2011 (excluding imputed interest income) of HK$779.8 million.

Finance costs included interest expenses on bank and other loans, exchange difference on foreign currency loans, arrangement fee and facility and commitment fee expenses. Interest expenses for the Year amounted to HK$313.9 million, representing an 13.6% increase over the interest expenses of HK$276.4 million (excluding imputed interest expenses) recorded for last year. The increase in interest expenses was mainly due to the increase in bank loans and interest rate during the Year. Interest capitalised for the Year was HK$117.1 million as compared to HK$64.9 million for last year. The average interest rate over the year under review was 1.78% (year ended 31st December, 2011: 1.43%), which was expressed as a percentage of total interest paid over the average total borrowings.

Remuneration Policies, Share Option Scheme and Share Award Scheme

As at 31st December, 2012, the Group employed a total of 711 staff in Hong Kong (31st December, 2011: 691 staff) including about 336 staff (31st December, 2011: 344 staff) employed under the estate management company in Hong Kong. Besides, there was a total of 357 staff (31st December, 2011: 195 staff), which included about 193 staff (31st December, 2011: 101 staff) of the estate management company in Chengdu, in the offices at Mainland China and Macau.

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The Executive Directors continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted during the Year.

The Company had adopted a share award scheme ("Scheme") in 2009. The Scheme is to recognise and reward certain employees for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. Details of the Scheme were set out in the Company's circular dated 23rd December, 2008. No share was granted under the Scheme during the Year.

Mainland China and United Kingdom

Profit contribution from the Group's investment in the Mainland China (mainly included in gross profit, fair value changes on investment properties, share of results of associates and taxation) for the Year amounted to HK$510.4 million (year ended 31st December, 2011: HK$206.9 million). The Group's net investment in the Mainland China as at 31st December, 2012 amounted to HK$16,939.0 million (31st December, 2011: HK$12,187.7 million) representing approximately 36.8% of the Group's total equity.

Further, the Group's investment property in the United Kingdom with carrying amount of GBP285.9 million as at 31st December, 2012 (equivalent to HK$3,582.0 million) contributed a profit of HK$82.0 million to the Group for the Year. As at 31st December, 2012, the Group's net investment in the United Kingdom amounted to HK$640.8 million representing approximately 1.4% of the Group's total equity.

Listed Subsidiary

At the end of the reporting period, the Group owned 61.96% interest in Chi Cheung, a listed subsidiary. As disclosed in Note 12 to the consolidated financial statements, the disposal of the Group's entire interest in Chi Cheung was completed on 6th February, 2013.

Property Valuation

A property valuation has been carried out by B.I. Appraisals, independent qualified professional valuers, in respect of the Group's investment properties in Hong Kong and the Mainland China as at 31st December, 2012 and 31st December, 2011. For the investment property in the United Kingdom, the valuation as at 31st December, 2012 and 31st December, 2011 was carried out by Peak Vision Appraisals, another independent qualified professional valuer. Their valuations were based on investment method and/or direct comparison method as the valuation methodologies and were used in preparing 2012 final results.

The Group's investment properties were valued at HK$41,972.8 million (31st December, 2011: HK$34,484.5 million) an 21.7% increase over 2011 after adjusted for the additions, disposals, transfer from stock of properties and reclassification of investment properties during the Year. The increase in fair value of approximately HK$6,109.0 million was recognised in the consolidated statement of comprehensive income for the Year. The Group also shared an increase in fair value of investment properties of associates of HK$377.9 million (adjusted deferred tax expense of HK$32.0 million) for the Year. Development properties and non-investment properties of the Group were stated at cost less impairment, if any, in the consolidated financial statements. Investment property under development at Chinese Estates Plaza, Chengdu was stated at cost of HK$3,260.7 million will be carried at fair value, until the earlier of the date when their fair value first become reliably measurable or the date of the completion of the properties.

The increase in fair value of HK$6,109.0 million or 21.7% was mainly attributable to the Group's three major investment properties, namely Silvercord, The ONE and Windsor House, which after adjusted the additions during the Year, recorded an increase of HK$1,668.4 million (or 26.0%), HK$1,186.9 million (or 22.5%) and HK$1,693.3 million (or 20.2%) respectively. The three properties have in aggregate shown an increase of HK$4,548.6 million or 74.5% of the total increase. Such increase has reflected an upturn in the property markets of Hong Kong and Mainland China for the Year. Rental renewals of these three properties for the Year have shown a remarkable increase over the end of 2011.

BUSINESS REVIEW

Hong Kong Property Investment

Rentals from investment properties continued to be one of the major sources of our income. The overall occupancy rate of the Group's retail portfolio was 98.96% during the Year. The occupancy rate achieved 99.43% if non-core properties are excluded. The high occupancy rate is attributable to the prime locations of the majority of the Group's retail properties.

The Group's overall gross rental growth was 11.70% with rental income of HK$1,383.9 million for the Year as compared with last year. The rental income from Hong Kong retail portion showed an upward momentum with 15.36% growth while the non-retail portion maintained stable performance with rental growth of 2.18%. The increase in gross rental income is mainly attributable to the fully let out of Silvercord and high reversionary rental rate of retail properties. Retail rents were generally raised due to the increase in tenants' business turnover benefited from the continuous growth of Mainland China tourists' spending and the improved local consumption.

The average occupancy rate of the shops of Causeway Place was approximately 91.45% during the Year.

The overall rental income of Windsor House was raised 6.71% for the Year as compared with last year. During the Year, its average occupancy rate was increased to approximately 99.29%, representing 3.27% increase over last year. Windsor House provides shoppers a cozy shopping environment with a diversified trade mix. Various marketing and promotion activities are held in Windsor House from time to time which boost shoppers' traffic flow and thus increases tenants' business turnover. As a result, Windsor House recorded steady rental growth and high occupancy rate.

As for Silvercord, the overall rental income was raised 31.99% for the Year as compared with last year. All the shops were fully let out throughout the Year. Benefited from the prosperous shopping atmosphere of Canton Road, Tsim Sha Tsui, as well as the introduction of several luxury and premium brands in the shopping mall, Silvercord's rental rate and property value are generally uplifted.

The tallest retail complex of its kind in Hong Kong, The ONE recorded 8.48% increase of its overall rental income for the Year as compared with last year. Its average occupancy rate was approximately 99.89% during the Year with many of the shops are popular fashion brands and well-known trademarks.

The occupancy rate for the Group's office properties maintained at a high level throughout the Year. During the Year, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 96.01%, 100% and 99.33% respectively, bringing the approximate occupancy rate of the overall office portfolio to 98.21%.

Hong Kong Property Development

In general, the Group's development projects have been progressing satisfactorily and the sales have been achieving pleasing results.

No. 12 Shiu Fai Terrace, located in Mid-Levels East, is a traditional prestigious location for luxury residential project in Hong Kong. A luxury residential tower which provides a total residential gross floor area of around 41,020 square feet will be redeveloped. Superstructure work is in progress. Completion of the project is scheduled for mid 2013 and it is expected to be launched in the first quarter of 2014.

No. 1 South Lane, is located in the Western District and enjoys close proximity to the future Hong Kong University MTR Station. It will be developed into a luxury residential/retail tower with a total gross floor area of around 41,200 square feet and consists of 92 residential units. Demolition work is in progress. Completion of the project is scheduled for mid 2015 and it is expected to be launched in the third quarter of 2013.

The Group has a two-phase redevelopment project in Wanchai (87.5% interest) undertaken with the Urban Renewal Authority. All residential units of The Zenith (Phase I project) were sold. One WanChai (Phase II project with preservation of the core elements of Wanchai Market) is a residential/commercial complex development with total gross floor area of approximately 159,700 square feet which provides 237 residential units with flat size ranging from gross floor area of approximately 420 square feet to 1,200 square feet and retail properties.

Certificate of compliance was issued in January 2013 and the residential units are being handed over to individual purchasers. 193 units were presold up to 31st December, 2012, representing 81.43% of total units.

No. 55 Conduit Road (70% interest), a residential site in Mid-Levels with site area of about 36,000 square feet which provides a total residential gross floor area of around 87,800 square feet. This site will be developed into a luxury residential project. Superstructure work is in progress. Launching of the project is scheduled for mid 2014.

The Hermitage (25% interest), is one of the Group's joint venture development projects in West Kowloon Reclamation Area. It comprises 6 residential tower blocks and provides in aggregate 964 residential units and retail properties with a total gross floor area of around 1,095,980 square feet. Certificate of compliance was issued in March 2011 and the residential units had been handed over to individual purchasers. As at 31st December, 2012, 962 units were sold and recognized, representing 99.79% of total units.

The Coronation (15% interest), is another joint venture development project of the Group in West Kowloon Reclamation Area. It comprises 6 residential tower blocks and provides in aggregate 740 residential units and retail properties with a total gross floor area of around 650,600 square feet. Certificate of compliance was issued in December 2012 and the residential units are being handed over to individual purchasers. 738 units (i.e. 99.73%) were presold up to 31st December, 2012.

Macau Property Development

La Scala is a high-end residential project located in Avenida Wai Long, Taipa, Macau with a total residential gross floor area of approximately 5,786,296 square feet (excluding car park area and outdoor facilities area). It will comprise 26 residential tower blocks and will be developed in phases. Phase I development will comprise 9 residential tower blocks and provide in aggregate 899 residential units. Site formation work and the first stage excavation works for the Phase I development have been completed. Next stage construction works and the presale of the Phase I development are suspended.

Mainland China Property Investment

The 79 retail outlets with a total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen were fully let out throughout the Year.

Evergo Tower, located at Central Huaihai Road in Shanghai, is a 21-storey office and shopping complex and has a gross floor area of around 263,708 square feet. The average occupancy rates of the office and retail spaces for the Year were approximately 99.14% and 64.86% respectively.

Platinum (50% interest), a 20-storey Grade A office building located at Taicang Road of Luwan District in Shanghai, has a gross floor area of about 466,464 square feet. The average occupancy rate for the Year was approximately 96.38%.

Hilton Beijing (50% interest), having 503 rooms, average occupancy rate was approximately 76.38% for the Year.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, was fully let out during the Year.

Mainland China Property Development

Splendid City, a residential and commercial project located at Yingbin Road of Jinniu District in Chengdu, has a site area of approximately 795,625 square feet and a corresponding gross floor area of approximately 3.74 million square feet. It will comprise 19 residential tower blocks with a commercial building and will be developed in two phases. Phase I of Splendid City provides in aggregate 1,226 residential units with flat size ranging from gross floor area of approximately 854 square feet to 1,812 square feet and a commercial building with gross floor area of approximately 272,740 square feet. Phase I had been completed in November 2010 and the residential units had been handed over to individual purchasers. As at 31st December, 2012, 1,212 units of Phase I were sold, representing 98.86% of total units. Phase II of Splendid City provides 1,625 residential units with flat size ranging from gross floor area of approximately 854 square feet to 1,812 square feet. It had been completed in December 2012 and some of the residential units are being handed over to individual purchasers. 281 units were sold and 486 units were presold out of 880 units launched (i.e. 87.16%) up to 31st December, 2012.

The Metropolis is a residential project located at Dongda Street of Jinjiang District in Chengdu, with site area of approximately 194,411 square feet and corresponding gross floor area of approximately 1.65 million square feet. It will comprise 3 twin residential tower blocks and will be developed in phases. Tower 1 of Phase I of The Metropolis provides 572 units with flat size ranging from gross floor area of approximately 704 square feet to 2,692 square feet. Tower 1 had been completed in December 2012 and the residential units are being handed over to individual purchasers. Since its first batch sales launch of 286 units in Tower 1, 223 units (i.e. 77.97%) were sold up to 31st December, 2012. Another batch of 286 units in Tower 1 is expected to be launched in the second quarter of 2013. Phase II of The Metropolis is under planning and at design stage.

Chinese Estates Plaza, a commercial and residential project at South Taisheng Road of Qingyang District in Chengdu, has a site area of about 404,267 square feet with a development scale of 3.2 million square feet. It will comprise a Grade A office building, a five stars hotel, a shopping centre and 4 residential tower blocks. Superstructure construction and fit-out works are in progress. Completion of the commercial and residential portions are scheduled for end 2013 and end 2014 respectively. Residential portion is expected to be launched by the third quarter of 2013.

The commercial and residential project at Huaxinjie Street of Jiangbei District in Chongqing (25% interest), has a site area of around 2,207,546 square feet and a gross floor area of approximately 11.08 million square feet. Its piling work and the associated substructure work are in progress. The project will be developed in four phases and Phase I will be divided into several zones. The first zone of Phase I is scheduled to be completed in the third quarter of 2014 and the overall Phase I is expected to be completed in the third quarter of 2016.

Overseas Property Investment

River Court is a Grade A freehold office building situate at 116-129 Fleet Street, London, United Kingdom. It provides a total net internal area of approximately 431,324 square feet, together with certain car parking spaces. It was fully let out as of 31st December, 2012.

OTHER INFORMATION AND EVENTS AFTER THE REPORTING PERIOD

Disposal of G-Prop Group – Connected Transaction

As announced on 17th June, 2012, a wholly-owned subsidiary of the Company (the “First Vendor”) and a company indirectly wholly-owned by Mr. Joseph Lau, Luen-hung (“Mr. Lau”) (an executive Director, the Chairman and Chief Executive Officer, and a substantial shareholder of the Company) (the “Second Vendor”) had on 16th June, 2012 entered into a sale and purchase agreement with (among other parties) an independent third party (the “Purchaser”) in relation to the disposal of 1,018,380,590 shares and 493,678,883 shares owned by the First Vendor and the Second Vendor respectively in G-Prop (Holdings) Limited (“G-Prop”), the then subsidiary of the Company whose shares are listed on the Stock Exchange, representing (i) all the share interests of the First Vendor and the Second Vendor in G-Prop; and (ii) approximately 62.26% of the entire issued share capital of G-Prop (with approximately 41.93% and 20.33% held by the First Vendor and the Second Vendor respectively) as at the date of the announcement, at a total consideration of HK$423,660,973 (of which HK$285,338,057 was payable to the First Vendor and HK$138,322,916 was payable to the Second Vendor). Completion of the disposal took place on 6th August, 2012. The Purchaser had also entered into the security agreement with the First Vendor on 6th August, 2012, pursuant to which 1,512,059,473 shares of G-Prop had been charged in favour of the First Vendor (the “Charged Shares”), for the purpose of securing the Purchaser’s obligations to repay the total principal amount under the promissory note(s) or any part thereof. The Purchaser had fulfilled its obligations for the repayment of all promissory note(s) in December 2012 and thereafter, the Charged Shares were fully released and discharged on 17th December, 2012 .

As the Second Vendor was indirectly wholly-owned by Mr. Lau, the Second Vendor, being a substantial shareholder of G-Prop, was an associate of a controller of the Company for the purpose of the Listing Rules. Therefore, the disposal constituted a connected transaction for the Company for the purpose of the Listing Rules. As the applicable ratios in respect of the disposal were more than 0.1% but less than 5%, the disposal was subject to the reporting and announcement requirements and exempted from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Disposal of Grandday Group Limited

The Group had on 5th September, 2012 entered into a sale and purchase agreement with an independent third party, to dispose 49 shares in Grandday Group Limited ("Grandday"), representing 49% of the entire issued share capital of Grandday, which indirectly owns the property development project at the southeast exterior of Yin Xing Ken District, Yinyang Town, Qidong, Jiangsu Province, the People's Republic of China (the "PRC"), at a consideration of US$500 million (equivalent to approximately HK$3,878.45 million). Relevant announcement had been made on 5th September, 2012. The disposal constituted a discloseable transaction of the Company under the Listing Rules. The disposal was completed on 7th September, 2012.

Disposal of Chi Cheung Group

As announced on 5th December, 2012, the Group had entered into a sale and purchase agreement with an independent third party (the "Agreement") in relation to the disposal of 209,931,186 shares in Chi Cheung Investment Company, Limited ("Chi Cheung"), the then subsidiary of the Company whose shares are listed on the Stock Exchange, representing (i) all the share interests of the Group in Chi Cheung; and (ii) approximately 61.96% of the entire issued share capital of Chi Cheung as at the date of the announcement, at a consideration of HK$560,532,475 (subject to downward adjustment under the terms of the Agreement). Completion of the disposal took place on 6th February, 2013.

Administrative Procedures for Repossession of Land in Macau by Macau Government

As set out in the Company's announcement dated 17th June, 2012, Moon Ocean Ltd., a wholly-owned subsidiary of the Company ("Moon Ocean"), received a notice of preliminary hearing dated 15th June, 2012 (the "Hearing Notice") from the Land, Public Works and Transport Bureau (the "LPWT") of the Macau Special Administrative Region of the PRC ("Macau") regarding the transfers of the rights deriving from the land concession for the five plots of land adjacent to the Macau International Airport (according to the Company's record, formerly known as Lots 1C; 2; 3; 4 and 5 (parcels 5A & 5B), Avenida Wai Long, Taipa, Macau, and registered in Macau Land Registry under Nos. 22993, 22991, 22995, 22990 and 22989 and now known as Lots 1C1; 1C2; 1C3; 2a; 2b; 2d; 3; 4a; 4b; 5a1; 5a2; 5a3; 5b1; 5b2; 5b3; 5b4; 5b5; 5b6; A3a; A3b; A4a; A4b; E1a; E1b; E2 and E3 and registered in the Macau Land Registry under No. 22989) (the "Macau Land") from five Macau companies to which the land concession was originally granted (the "Original Owners") to Moon Ocean (the "Land Transfers") and the amendment of the related land concession contracts.

It was stated in the Hearing Notice that (i) the Chief Executive of Macau had approved the initiation of the procedures for declaring the act of the Chief Executive of Macau in confirming the approval of the Land Transfers and the related amendments of the land concession contracts in March 2006 invalid and returning the Macau Land to the Original Owners (the "Matter"); and (ii) Moon Ocean might make written submission regarding the Matter within 15 days from the receipt of the Hearing Notice.

The Group's Macau legal adviser made the submission which set out basis for opposing the Matter on 29th June, 2012 and as set out in the Company's announcement dated 14th August, 2012, Moon Ocean received a notice from the LPWT stating that (i) the Chief Executive of Macau had declared the previous act of the Chief Executive of Macau in confirming the approval of the Land Transfers and the related amendments of the land concession contracts in March 2006 invalid (the "Decision"); and (ii) Moon Ocean might present objection to the Decision within 15 days from the gazetting of the Decision and might also appeal to the Court of Second Instance. The Decision was then published on the official bulletin of the Macau government dated 15th August, 2012.

As announced on 28th August, 2012, the Group's Macau legal adviser filed on behalf of Moon Ocean an objection to the Decision. As Moon Ocean had not received any reply from the Chief Executive of Macau regarding such objection, Moon Ocean and a purchaser of La Scala jointly lodged an appeal to the Court of Second Instance of Macau against the Decision on 14th September, 2012 as disclosed in the announcement published on the same date.

As set out in the Company's announcement dated 5th September, 2012, Moon Ocean received a notice of preliminary hearing (the "Second Hearing Notice") from the LPWT regarding certain revision of the terms of the land concession for the Macau Land and exchange of land approved by the Chief Executive of Macau in March 2011 (the "2011 Revision").

It was stated in the Second Hearing Notice that (i) the Chief Executive of Macau had approved the initiation of the procedures for declaring the act of the Chief Executive of Macau in confirming the approval of the 2011 Revision on 9th March, 2011 invalid (the "Second Matter"); and (ii) Moon Ocean might make written submission on the issues regarding the subject matter of the above procedures within 15 days from the receipt of the Second Hearing Notice.

The 2011 Revision mainly involved an increase of residential gross floor area of the Macau Land from 392,505 to 537,560 square metres and an exchange of 9 small pieces of land with a total site area of approximately 1,282 square metres initially forming part of the Macau Land for 8 small pieces of adjacent land with a total site area of approximately 5,204 square metres. Moon Ocean had paid a premium of approximately MOP642 million (equivalent to approximately HK$624 million) in consideration of the 2011 Revision.

The Group's Macau legal adviser made the submission which set out basis for opposing the Second Matter on 19th September, 2012.

The Group continues seeking legal advice for appropriate legal actions on the above matters. The outcome of the Matter and the Second Matter are thus pending for any subsequent decision(s) of the Chief Executive of Macau or judgment(s) from the court of Macau.

In case of the Decision becoming final, the Group will seek legal advice for appropriate actions to be taken in respect of La Scala project. The Group is determined to pursue claims it may have against the Macau government and/or the Original Owners for compensation for the losses of the Group.

PROSPECTS

As the worries on the sovereign debts position in Europe and the fiscal cliff in the United States have both eased, the global market sentiments have improved since the start of the year. In addition, with the new leaders of the Mainland China elected towards the end of last year, it is generally expected that the economy will open into a new and bright chapter. As a result of these positive signs, it is anticipated that this year, the economic growth will be better than last year for Hong Kong, providing good foothold for investments.

Our shopping malls, including The ONE, Silvercord and Windsor House, have all reported an influx of customers, bringing strong sales over the Lunar New Year. Although retail sales slowed in the second half of last year, it is greatly restored over the last two months, and is expected to grow over the coming months. Already established as landmarks for locals and tourists, we expect that our shopping malls will see strong rental income growth this year.

Meanwhile, our portfolio of offices, including MassMutual Tower, Harcourt House and Windsor House, has lifted overall occupancy to about 98%. As the overall economic environment improves, we expect that office demands will increase, benefiting our office portfolio, leading towards full occupancy and resulting in surging rental income.

Although the government may continue to increase land supplies and put forward policies to curb demand, in short to medium term, we are optimistic that under improved market and low interest rate environments, price growth for residential properties will be on the positive territory. Our residential projects, One WanChai, No. 1 South Lane, No. 12 Shiu Fai Terrace and No. 55 Conduit Road are all located on Hong Kong Island, which is most sought after by buyers.

As for the Mainland China, macro-control measures on housing are becoming a persistent policy. The Group believes that the objectives of the macro-control measures put forth by the Central Government are for the benefits of the long-term sustainable growth and development of the markets. At present, residential property markets of the major cities have already staged into stable and healthy developments. As the Central Government has focused its strategies in urbanizing peripheral areas, it is foreseeable that the economy will resume relatively high growth rates, leading to an optimistic outlook in mid to long run.

We expect to see continuing outstanding sales performance for our two projects, The Metropolis and Splendid City, in Chengdu. In addition, a new project, Chinese Estates Plaza, will also commence sales this year. As our brand name and superb building quality have already been established with home buyers and investors, we foresee a very satisfactory result will be achieved.

Overall, the Group sees a promising future in its core businesses for the year.

CORPORATE GOVERNANCE

The Company will continue putting effort in maintaining high standards of corporate governance so as to ensure better transparency and protection of interest of the shareholders and the Company as a whole. Throughout the Year, the Company had applied the principles and complied with the code provisions and certain recommended best practices set out in the Code on Corporate Governance Practices (effective until 31st March, 2012) and the Corporate Governance Code (effective from 1st April, 2012) contained in Appendix 14 to the Listing Rules, except the following deviations:-

Code Provision A.2.1 – Chairman and Chief Executive

Mr. Lau acts as both the chairman (the “Chairman”) and chief executive officer (the “CEO”) of the Company since December 2006. The Board considers that this structure will not impair the balance of power and authority of the Board. At present, the Board also believes that under the leadership of Mr. Lau as the Chairman and CEO, the Board’s decision could be made effectively and it is beneficial to the management and development of the Group’s businesses. The Board would still consider segregation of the roles of the Chairman and the CEO if and when appropriate.

Code Provision A.1.8 – Directors’ Insurance

The Company had arranged Directors and Officers liability insurance policy (the “Policy”) for years but the latest Policy was expired in August 2012. During the negotiation process of renewing the latest Policy, it was found that the premium has been increased substantially and as such, the latest Policy has not been renewed upon expiry. The Company has been in continuous dialogue with various insurance brokers and insurance companies to source competitive premium quotations and would arrange for appropriate insurance coverage accordingly as soon as practicable.

Code Provision E.1.2 – Chairman Attending Annual General Meeting

Mr. Lau, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 25th May, 2012 (“AGM”) as he had a business engagement. Mr. Chan, Kwok-wai, the chairman of Audit Committee and Remuneration Committee, was elected as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM. The chairman of Nomination Committee, Ms. Phillis Loh, Lai-ping had attended the AGM.

Detailed information of the Company’s corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company’s 2012 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”). All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Model Code and the said code of conduct during the Year.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees (the "Relevant Employees") who, because of office or employment, are likely to be in possession of unpublished price-sensitive information in relation to the Group's securities had been requested to follow such code when dealing in the securities of the Company. All Relevant Employees, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the said code during the Year.

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

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

APPRECIATION

We would like to take this opportunity to express our gratitude to the shareholders for their continuing support. We would also like to express our sincere thanks to all staff members for their dedication and hard work.

On behalf of the Board
Joseph Lau, Luen-hung
Chairman

Hong Kong, 4th March, 2013

As at the date of this announcement, the Board comprised Mr. Joseph Lau, Luen-hung, Ms. Chan, Sze-wan, Mr. Lam, Kwong-wai and Ms. Lui, Lai-kwan as Executive Directors, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai as Non-executive Directors, and Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.

Website: http://www.chineseestates.com

This results announcement is published on the website of the Company (http://www.chineseestates.com) and the HKExnews website (http://www.hkexnews.hk).

Results Highlights will also be posted on the Company's website on 4th March, 2013.