SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHT

	Year ended 31 December	
	2012	2011
Turnover	**HK$1,802 million**	HK$902 million
Profit attributable to owners of the Company	**HK$3,330 million**	HK$2,111 million
Basic earnings per share	**HK$12.0**	HK$8.0
Dividend per share	**HK$0.2**	HK$0.13

	At 31 December 2012	At 31 December 2011
Total assets	**HK$17.9 billion**	HK$14.7 billion
Net assets	**HK$13.8 billion**	HK$10.3 billion
Total borrowings	**HK$3.0 billion**	HK$3.5 billion
Gearing ratio	**22%**	34%
Net asset value per share	**HK$49.1**	HK$37.3

RESULTS

The board of directors (the "Directors") of Soundwill Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2012 with comparative figures for the previous years as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
Turnover	2	**1,801,968**	901,690
Cost of sales		**(859,015)**	(580,559)
Gross profit		**942,953**	321,131
Other income	4	**19,042**	17,231
Selling expenses		**(67,177)**	–
Administrative expenses		**(186,426)**	(145,781)
Other operating expenses		**(17,600)**	(3,885)
Gain/(Loss) on disposal of subsidiaries		**121,040**	(2,685)
Net gain on fair value adjustments on investment properties		**2,692,310**	2,032,888
Gain on disposal of an investment property		**3,311**	461
Provision for amount due from jointly-controlled entity		**(15,565)**	–
Profit from operations		**3,491,888**	2,219,360
Finance costs	5	**(49,729)**	(35,100)
Share of results of a jointly-controlled entity		**(3,118)**	(838)
Profit before income tax	6	**3,439,041**	2,183,422
Income tax expense	7	**(117,785)**	(64,372)
Profit for the year		**3,321,256**	2,119,050
Profit for the year attributable to:			
– Owners of the Company		**3,330,143**	2,111,219
– Non-controlling interests		**(8,887)**	7,831
		3,321,256	2,119,050
Earnings per share for profit attributable to owners of the Company during the year			
– Basic	8	**HK$11.98**	HK$8.05
– Diluted	8	**HK$11.91**	HK$8.00

	2012	2011
	HK$'000	*HK$'000*
Profit for the year	**3,321,256**	2,119,050
Other comprehensive income		
Exchange gain on translation of financial statements of foreign operations	**11,681**	9,028
Surplus on revaluation of leasehold building	**8,932**	2,482
Deferred tax liabilities arising from asset revaluation reserve of leasehold building	**(1,474)**	(409)
Other comprehensive income for the year	**19,139**	11,101
Total comprehensive income for the year	**3,340,395**	2,130,151
Total comprehensive income attributable to:		
– Owners of the Company	**3,349,116**	2,122,182
– Non-controlling interests	**(8,721)**	7,969
	3,340,395	2,130,151

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	31 December 2012 HK$'000	31 December 2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**13,275,215**	11,038,428
Property, plant and equipment		**169,312**	160,118
Properties held for development		**46,328**	46,672
Interest in a jointly-controlled entity		**28,536**	45,260
Available-for-sale financial assets		**10**	10
Intangible assets		**5,963**	6,284
		13,525,364	11,296,772
Current assets			
Inventories		**42,348**	43,022
Properties held for sale		**–**	38,400
Properties under development		**3,112,146**	2,435,382
Trade and other receivables	*9*	**190,660**	122,328
Deposits paid for acquisition of properties		**123,719**	7,557
Bank deposit at escrow account		**291,087**	185,675
Cash and cash equivalents		**615,421**	571,944
		4,375,381	3,404,308
Current liabilities			
Trade and other payables	*10*	**460,875**	312,427
Deposit received in advance	*11*	**482,117**	528,509
Borrowings	*12*	**2,993,501**	3,509,413
Provision for income tax		**96,863**	13,943
		4,033,356	4,364,292
Net current assets/(liabilities)		**342,025**	(959,984)
Total assets less current liabilities		**13,867,389**	10,336,788
Non-current liabilities			
Deferred tax liabilities		**65,183**	59,054
Net assets		**13,802,206**	10,277,734

	31 December 2012	31 December 2011
	HK$'000	*HK$'000*
EQUITY		
Equity attributable to owners of the Company		
Share capital	**28,076**	27,494
Reserves	**13,518,477**	10,151,273
	13,546,553	10,178,767
Non-controlling interests	**255,653**	98,967
Total equity	**13,802,206**	10,277,734

Notes:

1. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

1.1 Adoption of new/revised HKFRSs – effective 1 January 2012

In the current year, the Company and its subsidiaries (the "Group") have applied for the first time the following revision and amendment to standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2012:

HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 expand the disclosure requirements for transfer transactions of financial assets, in particular where the reporting entity has continuing involvement in financial assets that it has derecognised. The newly required disclosures allow users of financial statements to better understand the risks to which the reporting entity remains exposed. And such information is relevant in assessing the amount, timing and uncertainty of the entity's future cash flows. The adoption of the amendment has had no significant impact on the Group's financial statements.

1.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvement 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
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]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities[3]

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

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments relevant to the Group's financial statements as follows:

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iii) HKAS 34 Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future and those that may not. Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

Amendments to HKFRS 7 – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 11 – Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosure requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

Save as the main changes described above, the Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the Directors are not yet in a position to quantity the effects on the Group's financial statements.

2. TURNOVER

An analysis of the Group's turnover is as follows:

	2012	2011
	HK$'000	*HK$'000*
Turnover		
Property assembly:		
– Sales of properties held for sale	**99,800**	483,280
Property development:		
– Sales of properties under development		
– HK	**1,212,133**	–
– PRC	**98,403**	84,272
Property leasing:		
– Rental and signage rental income	**295,856**	238,023
– Office facilities and service income	**–**	365
Building management and other services:		
– Property repairs and maintenance service income	**10,999**	9,599
– Building management service income	**6,700**	6,780
Urban infrastructure:		
– Turnover from urban infrastructure construction works	**78,077**	79,371
	1,801,968	901,690

3. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major business lines.

The Group has identified the following reportable segments:

Property assembly business	:	Properties assembly and sales of properties
Property development	:	Development of residential and commercial properties
Property leasing	:	Property rental including signage rental and provision of office facilities and services
Building management and other services	:	Provision of building management, property repairs and maintenance services
Urban infrastructure	:	Urban infrastructure development

Each of these operating segments is managed separately as each of the business lines requires different resources as well as operating approaches.

The reporting segment results exclude the gain/(loss) on disposal of subsidiaries, finance costs, share of results of a jointly controlled entity, provision for amount due from jointly-controlled entity, net gain on fair value adjustments on investment properties, gain on disposal of an investment property, income taxes and unallocated income and expenses which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

The turnover of others segment represents the management fee income received from a fellow subsidiary.

Segment assets include investment properties, property, plant and equipment, inventories, trade and other receivables and operating cash and mainly exclude available-for-sale financial assets, interests in a jointly controlled entity which are not directly attributable to the business activities of any operating segment.

Segment liabilities comprise operating liabilities and exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. Corporate liabilities include provision for income tax, deferred tax liabilities and corporate borrowings.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Property assembly business		Property development		Property leasing		Building management and other services		Urban infrastructure		Others		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover														
External customers	99,800	483,280	1,310,536	84,272	295,856	238,388	17,699	16,379	78,077	79,371	-	-	1,801,968	901,690
Inter-segments	-	-	405,808	154,430	29,434	17,824	4,163	624	-	-	39,162	20,276	478,567	193,154
Reportable segment turnover	99,800	483,280	1,716,344	238,702	325,290	256,212	21,862	17,003	78,077	79,371	39,162	20,276	2,280,535	1,094,844
Reportable segment profit/(loss)	53,176	12,914	403,566	(30,182)	244,989	197,233	10,673	6,128	12,375	17,687	2,852	335	727,631	204,115
Bank interest income	27	-	1,798	1,039	1,706	32	-	-	355	131	2,660	8	6,546	1,210
Write-back of provision for loss in litigation	-	-	-	-	-	-	-	-	-	5,348	-	-	-	5,348
Write-back of provision for obsolete inventories	-	-	-	-	-	-	-	-	2,873	1,344	-	-	2,873	1,344
Provision for legal cost	-	-	(4,200)	-	-	-	-	-	-	-	-	-	(4,200)	-
Provision for vacant land tax	-	-	(8,861)	-	-	-	-	-	-	-	-	-	(8,861)	-
Depreciation	(83)	(362)	(860)	(757)	(3,170)	(2,410)	(5)	(3)	(316)	(303)	(850)	(644)	(5,284)	(4,479)
Amortisation of intangible assets	-	-	-	-	-	-	-	-	(480)	(471)	-	-	(480)	(471)
Amortisation of properties held for development	-	-	(1,019)	(1,135)	-	-	-	-	-	-	-	-	(1,019)	(1,135)
Provision for obsolete inventories	-	-	-	-	-	-	-	-	-	(220)	-	-	-	(220)
Reportable segment assets	-	55,926	2,541,173	2,798,890	14,688,609	11,451,945	8,597	7,125	233,528	147,200	400,292	194,724	17,872,199	14,655,810
Additions to non-current segment assets during the year	-	40	1,492	725	722,920	903,691	12	-	657	335	966	2,491	726,047	907,282
Reportable segment liabilities	-	(28,403)	(738,422)	(635,300)	(109,309)	(103,600)	(14,401)	(15,766)	(58,921)	(49,858)	(21,939)	(8,009)	(942,992)	(840,936)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2012	2011
	HK$'000	*HK$'000*
Reportable segment turnover	**2,280,535**	1,094,844
Elimination of intersegment turnover	**(478,567)**	(193,154)
Turnover	**1,801,968**	901,690
Reportable segment profits	**727,631**	204,115
Net gain on fair value adjustments on investment properties	**2,692,310**	2,032,888
Gain on disposal of an investment property	**3,311**	461
Unallocated expenses	**(36,839)**	(15,419)
Finance costs	**(49,729)**	(35,100)
Gain/(Loss) on disposal of subsidiaries	**121,040**	(2,685)
Provision for amount due from jointly-controlled entity	**(15,565)**	–
Share of results of a jointly-controlled entity	**(3,118)**	(838)
Profit before income tax	**3,439,041**	2,183,422
Reportable segment assets	**17,872,199**	14,655,810
Interest in a jointly-controlled entity	**28,536**	45,260
Available-for-sale financial assets	**10**	10
Group assets	**17,900,745**	14,701,080
Reportable segment liabilities	**942,992**	840,936
Borrowings	**2,993,501**	3,509,413
Provision for income tax	**96,863**	13,943
Deferred tax liabilities	**65,183**	59,054
Group liabilities	**4,098,539**	4,423,346

The Group's turnover from external customers and its non-current assets (other than available-for-sale financial assets) are divided into the following geographical areas:

	Turnover from external customers		Non-current assets	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal markets				
Hong Kong (domicile)	**1,625,488**	738,047	**13,499,085**	11,270,640
PRC	**176,480**	163,643	**26,269**	26,122
	1,801,968	901,690	**13,525,354**	11,296,762

The geographical location of customers is based on the location at which the goods/services were delivered/rendered. The geographical location of non-current assets is based on the physical location of the assets.

For the years ended 31 December 2012, the Group did not depend on any single customer under each of the segment. For the year ended 31 December 2011, approximately HK$459,280,000 or 51% of the Group's turnover was derived from a single customer for sale of properties in the property assembly business segment. As at 31 December 2011, no trade receivable was due from such customer.

4. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Bank interest income	**6,546**	1,210
Commission income	**1,164**	7,164
Write-back of provision for loss in litigation	**–**	5,348
Miscellaneous income	**8,459**	2,165
Write-back of provision for obsolete inventories	**2,873**	1,344
	19,042	17,231

5. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans		
– wholly repayable within five years	**54,466**	38,953
– not wholly repayable within five years	**8,738**	9,275
Other borrowings wholly repayable within five years	**2,795**	5,603
Total borrowing costs	**65,999**	53,831
Less: Interest capitalised in investment properties and properties under development	**(16,270)**	(18,731)
	49,729	35,100

The analysis shows the finance costs of bank loans, including term loans which contain a repayment on demand clause, in accordance with agreed scheduled repayments dates set out in the loan agreements. For the years ended 31 December 2012 and 2011, the interest on bank loans which contain a repayment on demand clause amounted to HK$62,482,000 and HK$44,814,000 respectively.

6. PROFIT BEFORE INCOME TAX

	2012	2011
	HK$'000	*HK$'000*
Profit before income tax is arrived at after charging:		
Amortisation of intangible assets*	**480**	471
Amortisation of properties held for development	**1,019**	1,135
Auditor's remuneration	**3,496**	2,901
Bad debts written off*	**193**	251
Cost of inventories recognised as expense	**50,177**	49,253
Cost of properties held for-sale/properties under development recognised as expense	**779,231**	515,948
Deposits for property acquisition written off*	**1,135**	924
Depreciation of property, plant and equipment	**5,284**	4,479
Employee benefit expenses (including directors' remuneration and defined contribution cost)		
– Share option expenses	**8,304**	8,931
– Other employee benefit expenses	**92,918**	66,125
	101,222	75,056
Loss on disposal of property, plant and equipment*	**3**	128
Operating lease charges in respect of premises	**3,996**	3,058
Provision for impairment loss of trade receivables*	**596**	1,116
Provision for obsolete inventories*	**–**	220
Property, plant and equipment written off	**364**	58
Provision for legal cost*	**4,200**	–
Provision for vacant land tax*	**8,861**	–
And crediting:		
Gross rental income from investment properties	**(281,386)**	(218,795)
Less: Outgoings	**16,039**	7,403
	(265,347)	(211,392)
Other rental income less outgoings from other properties	**–**	(230)
	(265,347)	(211,622)

* included in other operating expenses

7. INCOME TAX EXPENSE

	Notes	2012 HK$'000	2011 HK$'000
Hong Kong profits tax			
– Tax for the year	*(a)*	**110,226**	47,546
– Under provision in prior years		**270**	374
		110,496	47,920
PRC income tax			
– Tax for the year	*(b)*	**2,828**	8,318
Deferred tax	*(c)*	**4,461**	8,134
		117,785	64,372

Notes:

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit arising in Hong Kong for the year.

(b) The Group's certain subsidiaries established and operating in the PRC are exempted from enterprise income tax for the first two profitable years of operations, and thereafter, are eligible for a 50% relief from enterprise income tax for the following three years ("Tax Holiday"). Remaining subsidiaries operating in the PRC are subject to PRC enterprise income tax rate of 25%.

(c) Deferred tax mainly represents the tax effect of accelerated depreciation allowance of the Group's property, plant and equipment.

8. EARNINGS PER SHARE

Basic earning per share was HK$11.98 (2011: HK$8.05) whereas the diluted earning per share was HK$11.91 (2011: HK$8.00).

The calculation of basic earnings per share is based on current year's profit attributable to owners of the Company of HK$3,330,143,000 (2011: HK$2,111,219,000) and the weighted average of 278,020,965 shares (2011: 262,291,149 shares) in issue during the year.

The calculation of diluted earnings per share is based on the weighted average of 279,608,629 shares (2011: 263,842,838 shares) in issue during the year, adjusted for the effect of all dilutive potential shares.

The weighted average number of shares used in the calculation of dilutive earnings per share is calculated based on the weighted average of 278,020,965 shares (2011: 262,291,149 shares) in issue during the year plus the weighted average of 1,587,664 shares (2011: 1,551,689 shares) deemed to be issued at no consideration if all the dilutive potential shares have been issued.

9. TRADE AND OTHER RECEIVEABLES

As at the reporting date, trade receivables included in trade and other receivables were approximately HK$117,182,000 (2011: approximately HK$89,235,000). The credit terms of the Group ranging from 30 to 90 days. Based on the invoices dates, the aging analysis of trade receivables was set out below:

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**102,910**	68,746
31 – 90 days	**3,895**	3,290
91 – 180 days	**2,156**	2,889
Over 180 days	**8,221**	14,310
Total trade receivables	**117,182**	89,235
Other receivables	**73,478**	33,093
	190,660	122,328

10. TRADE AND OTHER PAYABLES

As at the reporting date, trade payables included in trade and other payables were approximately HK$97,165,000 (2011: approximately HK$65,209,000). The Group was granted credit periods by its suppliers ranging from 30 to 60 days. Based on the invoices dates, the aging analysis of trade payables was set out below:

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**44,315**	32,280
31 – 90 days	**15,897**	10,352
Over 90 days	**36,953**	22,577
Total trade payables	**97,165**	65,209
Other payables	**363,710**	247,218
	460,875	312,427

11. DEPOSIT RECEIVED IN ADVANCE

	2012	2011
	HK$'000	*HK$'000*
Deposit received associated with sale of properties held for sale	**–**	28,200
Deposit received associated with pre-sale of properties under development situated at:		
– Hong Kong	**406,458**	409,272
– PRC	**75,659**	91,037
	482,117	500,309
	482,117	528,509

12. BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Bank loans – secured	**2,993,501**	3,509,413
Carrying amount repayable based on the scheduled repayment dates set out in the loan agreements:		
Within one year	**1,237,430**	1,813,562
More than one year, but not exceeding two years	**198,349**	153,534
More than two years, but not exceeding five years	**1,274,222**	1,189,517
More than five years	**283,500**	352,800
	2,993,501	3,509,413
Carrying amount of bank loans due for repayment after one year which contain a repayment on demand clause (shown under current liabilities)	**1,756,071**	1,695,851

Bank loans are secured by certain investment properties, property, plant and equipment and properties under development of the Group.

OPERATIONS REVIEW

Overview

Despite the unfavourable factors arising from the global economic uncertainty and softening economic outlook in the PRC in 2012, the Group successfully maintained its long-term strategic business practices and development objectives. By adopting a pragmatic and prudent sales strategy, the Group will continue to aim to capture the best sales opportunities for our development projects, so as to reap stable returns for shareholders.

The implementation of the Special Stamp Duty (SSD) and Buyer's Stamp Duty (BSD) by the government at the end of the previous year had invariably hindered the Group's property assembly and old building acquisition business. While adopting a "wait-and-see" attitude, the Group would welcome the prompt issuance of clearer guidelines by the government in this regard. Though further details of BSD are yet to be announced, the Group has no intention to alter its sales and development strategy in respect of its property projects. The Group will continue maintain its regular acquisition procedures as well as operation and management methods to cater for the needs of owners of old buildings. Further, the Group will proactively provide suitable assistance to the property owners, so as to uphold its objectives maintaining sustainable development of the community whilst concurrently striking a better balance between the commercial development and environmental preservation. The Group will seize the right opportunities that are in the interests of the Group's profit and development endeavours, with a view to continuously identifying suitable land parcels and increasing land bank.

Driven by the growth of the property development business in Hong Kong, the Group has performed well during the year. The Group's luxury residential project in Tai Hang, WarrenWoods, was completed and accounted for during the year. In addition, the Group's brand new luxury residential project in Causeway Bay, Park Haven, was launched for pre-sale during the year and received enthusiastic response from buyers and investors in the market, with over 90% of the units now sold. The Group has successfully met its sales target.

With the sustained growth of Hong Kong's economy, high employment rate and improved income prospects, consumer sentiment continued to driven to new heights. In addition, the growing number of tourists to Hong Kong will further stimulate the local retail market and fuel the demand for retail premises. To capitalize on such market opportunities, the Group successfully acquired an investment property at 10 Knutsford Terrace, Tsim Sha Tsui and the transaction was completed in the first quarter of 2013.

With the inclusion of Soundwill Plaza, following the anticipated opening of Soundwill Plaza II – Midtown in Causeway Bay, and the completion of the No.10 Knutsford Terrace acquisition in Tsim Sha Tsui, the Group will have a land bank of approximately 550,400 square feet for commercial leasing by 2013, thereby strengthening the Group's source of rental income. Further, vital market conditions such as high employment rates, continued growth in salary among the Hong Kong population, low interest rates and limited supply of new units will also drive growth in the local residential market. The Group will continue to stay ahead of market developments, and will also manage its property portfolio and seek for investment opportunities cautiously, so as to grasp the best sales opportunities for is property developments.

Land Bank

During the year, the Group has not only maintained an active presence in the acquisition of old buildings in various districts of Hong Kong Island, but also aggressively acquired quality property projects to strengthen its existing land portfolio. The Group has also stepped up its efforts in revitalizing the local environment and enhanced the quality of buildings and auxiliary facilities, which will benefit new and existing owners alike.

To capture business opportunities in the local market and to reinforce its market presence, the Group has actively participated in urban redevelopment projects. Paralleled to this, the Group will also look for locations with strong potential outside of Hong Kong Island, so as to increase its land bank at a reasonable cost. Through careful assessment of the investment property portfolio, projects with higher appreciation potential will be selected and reserved for our own development purposes, so as to enhance the profitability of the Group.

Property Assembly

As mentioned in the preceding section, the implementation of the Special Stamp Duty (SSD) and Buyer's Stamp Duty (BSD) by the government impacted upon the Group's property assembly and old building acquisition business. That said, the Group will continue with its usual practice in respect of acquisition and operation and management methods which will take into account of the needs of owners of old buildings. Our property assembly strategy will be a balanced one, with sustainable development of the community on the one hand and with the protection of environmental interests on the other.

Throughout our history, the Group's has along with the changing economy with success, and has captured opportunities by achieving many 'firsts'.

The Group's efforts in building up the redevelopment of old buildings in urban areas have started to bear fruit, paving the way for further earnings growth in the years ahead.

In 2012, the turnover from this business segment was approximately HK$99,800,000 accounting for 6% of the Group’s turnover for the year.

During the year, the Group has successfully disposed a number of projects. Details are as follows:-

17 and 19 Hing Wan Street, Wan Chai

The Group entered into a Provisional Sale and Purchase Agreement with an independent third party on 28 September, 2011, in relation to the disposal of 17 and 19 Hing Wan Street, Wan Chai, for a consideration of HK$94 million. The project’s permitted gross floor area upon redevelopment will be approximately 16,000 square feet. The sales transaction was completed on 18 January 2012, three months ahead of the original schedule of 30 March 2012, locking in lucrative profits for the Group.

13-15 Mercury Street, North Point

The Group entered into a Provisional Sale and Purchase Agreement with an independent third party on 20 June 2012, in relation to the disposal of 13-15 Mercury Street, North Point, for a consideration of HK$180 million. The sales transaction was completed on 10 October 2012, representing another successful resale project subsequent to the previous Hing Wan Street project.

The Group's vision and dedicated efforts over years have shaped the evolution of certain areas with clusters of premium developments.

18-21 School Street, Tai Hang

The unification of ownership of 18-21 School Street, Tai Hang was completed in September 2011. The project site area is approximately 2,250 square feet and is categorized as a Category C site, which can be redeveloped into an integrated residential and commercial complex, with a maximum gross floor area of approximately 23,000 square feet. On the other hand, the site can also be redeveloped into a residential (Category A) property, with stunning sea views and street-level commercial shops.

WarrenWoods, the Group’s first luxury boutique residential project in Tai Hang, has achieved an outstanding sales performance since its initial launch in 2010, setting an example for the district’s rising property prices. In view of Hong Kong Island’s rare supply of quality luxury housing, the appreciation potential of properties in Tai Hang is further enhanced, thus locking in impressive profits for the Group.

14-18 Mosque Street, West Mid-Levels

The unification of ownership of 14-18 Mosque Street, West Mid-Levels was completed in April 2012. The project site area is approximately 5,878 square feet and demolition works are currently underway. The site can also be development into a residential (Category A) property, with a maximum gross floor area of approximately 49,000 square feet. Located next to the Central to Mid-Levels Escalator, the project is just a few minutes' walk from the financial and commercial hub of Central. The project is therefore located in a district which is a popular residential choice for business elites and expatriates with keen demand for new and quality properties. Such demand highlights the area's rental and investment prospects. Moreover, new boutique luxury residential properties in the area have been warmly received by investors, indicating the market's substantial demand for brand new quality properties.

57 Kin Wah Street and 66 Fort Street, North Point

The unification of ownership of 57 Kin Wah Street and 66 Fort Street, North Point was completed in November 2011. The two sites cover an area of approximately 3,240 square feet. 66 Fort Street was previously a 6-storey residential property, whereas 57 Kin Wah Street was a 7-storey residential property (including a two-storey basement). The combined site can be redeveloped into a residential property with a maximum gross floor area of approximately 29,000 square feet. The future development of a number of large-scale projects in North Point will make a positive impact on property prices and property development in the district.

1-11 Lai Yin Street and 2-12 Jones Street, Tai Hang

A joint development agreement between the Group and Henderson was signed on 31 August 2012, in relation to the acquisition of 1-11 Lai Yin Street and 2-12 Jones Street, Tai Hang. The inaugural agreement represents the first collaborative redevelopment project between the two companies.

The project site area is approximately 6,530 square feet, and is currently a 6-storey old building that is classified as a residential (Category A) property.

301-305 Castle Peak Road, Kwai Chung

301-305 Castle Peak Road, Kwai Chung was acquired in November 2012 and has site area of approximately 13,302 square feet. The project is blessed with prime geographical location positioned within the transportation hub of Kowloon West and adjacent to Kwai Hing MTR Station. It is also in close proximity to the airport, Container Terminal, as well as Lo Wu and Lok Ma Chau. Amidst the city's growing financial service industry, numerous multinational corporations are setting up regional headquarters and offices in Hong Kong. However, the supply of offices in the traditional core business districts in Hong Kong is inadequate to cope with the demand for high-quality offices from these companies. Seizing the market opportunity, the Group intends to redevelop the site to its utmost potential, so as to maximize investment returns. The Group expects the government will introduce further measures to facilitate the development of industrial buildings and enhance their flexibility in developing. Therefore, the Group foresees that there will be room for further development regarding industrial buildings.

Looking ahead, the Group will continue to actively carry out its property assembly and acquisition business. Through careful planning and research, the Group will actively select sites with high appreciation potential and retain certain projects for self-development purposes. By utilizing our land resources and exploring the best development proposals, the Group will stay ahead of the changing market environment and create greater returns for shareholders.

PROPERTY LEASING

In 2012, the turnover from this business segment was approximately HK$295,856,000 accounting for 16% of the Group's turnover for the year.

Soundwill Plaza

The Group's flagship rental property, Soundwill Plaza has a gross floor area of approximately 246,400 square feet; including a retail store area of approximately 18,300 square feet and a commercial area of approximately 228,100 square feet. During the year, the sustained favourable atmosphere of the commercial and retail sectors fuelled a growing demand for prime retail properties. The rental performance of Soundwill Plaza has hence exceeded our expectations. The annual occupancy rate maintained at a level of 99% and generated a rental income of approximately HK$256,125,000. In 2012, around 34% of the leases were due, with the rental renewal rate maintained at high levels. In the coming year, the Group will extend its efforts to optimize its retail rental portfolio, strengthen publicity and improve auxiliary facilities, in order to provide a new shopping experience to different customers, thereby maintaining its image as a quality Grade A commercial building.

Buttressed by the continued high number of mainland tourists, the number of visitor arrivals to Hong Kong in 2012 reached another record high, with an increase of more than 13%. With the continued economic growth in Hong Kong, the city's total retail consumer sales rose by 9%. Both the number of transactions and the prices of street-level shops and commercial buildings located in prime areas have hit successive new highs. The leases of two street-level retail premises under the project were newly signed in August 2012 and March 2013, with the rental rates increased by more than 1.5 times. In addition, the rental rate of upper level commercial units have also increased. Such favourable factors have contributed to one of the most stable sources of income for the Group.

Soundwill Plaza II – Midtown

As a 31-storey building with an aggregate leasing area of approximately 217,000 square feet, Soundwill Plaza II – Midtown is set to become the new iconic landmark of Causeway Bay, Hong Kong Island. With unparalleled geographical superiority, Soundwill Plaza II – Midtown is located in the "Golden Triangle" retail area of Causeway Bay and is adjacent to the famous shopping boulevard of Russell Street (reported as the world's most expensive street). With stunning views of Victoria Harbour and Causeway Bay's bustling metropolitan landscape, Soundwill Plaza II – Midtown is set to deliver a fabulous shopping and entertainment experience with diverse choices. The construction is expected to be completed in the third quarter of 2013. There is a wide diversification of floor space designs, ranging from duplex retail shop floors and skyline interactive garden platform catering floors from G/F to 2/F of approximately 35,000 square feet. The ground floor to the 2/F is approximately 11,000-12,000 square feet, and standard floors is approximately 6,800-8,600 square feet. With an ingenious architectural design and around-the-clock flexible supporting and management services by a professional management team, the building will definitely become the destination of choice for sizeable prestigious business merchants and top-notch restaurants to establish their presence in the heart of Causeway Bay in Hong Kong Island.

PROPERTY DEVELOPMENT

In 2012, the turnover from this business segment was approximately HK$1,310,536,000 accounting for 73% of the Group's turnover for the year.

Soundwill Group strives to elevate its brand name through the provision of premium products and services and by accelerating its asset turnover rate. As such, the Group will continue to strengthen its property development business, so as to expand its profitability and development potential. Such endeavours will further fortify the Group's position in the property market. We will make the best use of our land resources and draw up the optimal development proposals, in order to keep us ahead of the changing market environment and reward our shareholders with rich returns. The splendid sales performance of the Group's projects during the year was another indication that buyers have cast a vote of strong confidence in the premium brands and quality of products and services of the Group.

Residential projects

WarrenWoods

The Group's landmark luxurious property development, WarrenWoods is situated at 23 Warren Street, Tai Hang and comprises 163 residential units of multi-dimensional designs. A total of 162 units have been sold since the roll out of the project, generating proceeds of approximately HK$1,212,133,000 and provided lucrative profits for the Group. The remaining skyline penthouse, with its gorgeous panoramic views of Victoria Harbour, Jardine's Lookout and the Hong Kong Stadium, will be highly sought after in the market. With a prime location in Jardine's Lookout coupled with an excellent planning and design concept, the development was honoured the "Best Developer – Project Planning" award in the "CAPITAL Best Developer Awards". The award is a testament to the market's recognition and confidence in the Group's projects and development strategy.

The handover of the project was completed in late 2012 and enthusiastic market responses were received. WarrenWoods is regarded by many buyers as a preferred choice for home purchase and property investment purposes in terms of quality, environment and future appreciation potential.

Park Haven

Also, in respect of property sales, the Group's spot light residential property development, Park Haven, was launched for pre-sale in April 2012. Located at 38 Haven Street, a deluxe area of Lee Garden, Causeway Bay, the property boasts astounding views of Victoria Harbour and the luscious greenery spanning from the Hong Kong Stadium to Jardine's Lookout. The development is also in the vicinity of Causeway Bay's MTR Station and bustling shopping areas, where numerous flagship stores of international elite brands and private clubs cluster, giving a touch of exceptional luxury. The project provides approximately 190 residential units, with a salable gross floor area of about 131,000 square feet. The area of standard units ranges from approximately 510 to 1,154 square feet and the number of bedrooms varies from 1 to 3. Four units of distinguishing features are also available, in order to cater for the needs of different buyers. The design theme of the project is based on modern French style and accentuates exceptional standards in terms of indoor materials, clubhouse facilities, landscape, building shape and surrounding facilities. It is also furnished with an exquisite clubhouse. As of December 2012, more than 90% of the units have been sold, generating proceeds of approximately HK$2,400,000,000. The project is expected to be completed by March 2014. As at the end of the year, the Group has received proceeds from flat sale of approximately HK$406,458,000.

The Group's utmost goal is to meet changing customer preferences and higher quality expectations from the earliest stages of project design. The Group makes great efforts to optimize the overall planning of projects by providing suitable combinations of units, practical layouts and preferred specifications including high ceilings and sophisticated craftsmanship. All these endeavours will help us establish a strong brand image and enhance the valuation prospect of our property developments.

COMMERCIAL PROJECTS

The Sharp

Located at 11-13 Sharp Street East and 1-1A Yiu Wa Street in Causeway Bay, the project site area is approximately 3,200 square feet, with a planned gross floor area of approximately 48,000 square feet. The site is expected to be developed into a complex commercial project that integrates retail and office spaces in one. Located directly across from Times Square, the development is bound to become a preferred location for international brands to setup their flagship stores. With a prime location within the "Golden Triangle" retail area of Causeway Bay, all 29 units available for sale under the project were sold out within a single day on 3 January 2013, with the highest selling price achieving a remarkable HK$48,100 per square foot (calculation is based on total gross floor area). To capitalize on the tremendous appreciation potential of street-level commercial shops in Causeway Bay, the Group has decided to retain the commercial shops from G/F to 2/F for rental purposes. The rental area is expected to be 4,500 square feet and the rental rates will be determined with reference to the top-grade street-level commercial shops in Causeway Bay area. The project is expected to be completed in the third quarter 2015.

10 Knutsford Terrace, Tsim Sha Tsui

The Group successfully acquired No. 10 Knutsford Terrace, Tsim Sha Tsui on 29 November 2012, for a consideration of HK$895,000,000. The transaction was completed on 28 February 2013. The transaction was the Group's first commercial property acquisition in 2012, and will further enhance its overall rental and investment property portfolio both on Hong Kong Island and in Kowloon. The property is a 23-storey commercial complex, with a site area of approximately 7,250 square feet and a maximum gross floor area of approximately 87,000 square feet (based on a 12 times plot ratio).

The property is located in the core tourist and business district of Tsim Sha Tsui, and is just a stone's throw away from the nearest Tsim Sha Tsui MTR Station.

Identifying such opportunities in the market, the Group has since established itself as a leading operator of quality commercial properties with the development of Soundwill Plaza, Soundwill Plaza II – Midtown and the recent investment in No.10 Knutsford Terrace, Tsim Sha Tsui. Such endeavours shall strengthen the Group's rental income source in the long-run.

Following the anticipated opening of Soundwill Plaza II – Midtown in Causeway Bay and the completion of the Knutsford Terrace sales transaction in Tsim Sha Tsui, the Group will have approximately 550,400 square feet for commercial leasing by 2013.

The Group has extensive experience in developing quality commercial projects in Hong Kong. It is our active pursuit to rejuvenate old districts and to bring a new lease of life and colour to those neighbourhoods. Soundwill Plaza in Russell Street of Causeway Bay; Park Haven, a landmark luxury residential development near Lee Garden; and WarrenWoods, an iconic boutique residential development in Tai Hang, Causeway Bay are notable projects that showcase the Group's track record in developing landmark projects in core districts of Hong Kong.

Looking ahead, the Group will continue to utilize its land resources and explore the best development proposals, so as to cater for the changing market environment and to realize the biggest commercial value of our projects. Meanwhile, we will also cautiously grasp the prevailing opportunities to promote solid business growth, so as to maximize the returns on investment for our shareholders.

The Group will continue to launch new projects, for sale as planned to boost asset turnover. The current development landbank is sufficient for the Group's needs over the next five years.

Property management, E&M and building maintenance

The Group's property management and maintenance subsidiaries are engaged in the provision of management and maintenance services for the properties and facilities of large-scale commercial buildings as well as small and medium-sized estates. These subsidiaries are highly experienced in the provision of quality services to its owners and tenants. The property management team has strived in promoting energy conservation and carbon reduction through the use of energy-saving measures, the management of indoor environmental quality as well as the reduction of wastes during the period. In 2012, the turnover from this business segment was approximately HK$17,699,000 accounting for 1% of the Group's turnover for the year. The turnover growth was mainly attributable to restoration works prior the handover between the old and new tenants.

Moreover, Soundwill Plaza was awarded the "Good Indoor Air Quality Certificate" in March 2012 by the Department of Environmental Protection, reaffirming the Group's efforts in creating a pleasant working environment for its employees and an amiable leisure and shopping environment for customers that visit the building.

"The Concierge French-style Hotel Management Services"

During the year, the Group has pioneered to introduce "The Concierge French-style Hotel Management Services" to the property management of Park Haven, the luxury residential project launched for presale during the year. The service provides a wide range of French-style and value-added management services, including concierge services, dining and catering services, minor household maintenance services, laundry and dry cleaning arrangement services as well as home and car cleaning referrals. Through the provision of caring and comprehensive personal services, we aim to create an environment for tenants to enjoy a high quality lifestyle.

Customer Services

The Group's quality services are extended to the offer of a comprehensive range of after-sales services subsequent to the delivery of units to owners. The Group assures new home owners of delivery services of fine quality by setting up a professional team which is dedicated to the detailed examinations of each of the newly completed units. The newly occupied properties are entitled to the warranty of repair and maintenance services for an initial period of two years. This warranty will help boost the confidence of homeowners.

To ensure that each newly completed unit is in perfect condition, thorough quality inspection is conducted to ensure the highest standard of quality upon delivery to the owners. The handover team will also provide comprehensive and attentive services during the handover period to ensure smooth procedure. The handover team not only ensures the quality of newly completed units, but also collects feedbacks from the owners. The Group's property management subsidiaries are committed in providing high-quality customer services and further enhancing service levels through continuous innovation.

Business in Mainland China

Urban Infrastructure Development

Soundwill Infrastructure Limited is engaged in the provision of underground telecommunication pipeline construction services in a number of cities in the PRC, including Nanchang, Xi'an, Jingdezhen and Yuxi. It has established collaborative relationships with local governments in respect of project developments and the laying of cable networks, which are predominately used for the transmission of information and data for clients and for other telecommunications and commercial purposes. Key clients include telecommunications operators such as China Mobile, China Telecom and China Unicom. In 2012, the turnover from this business segment was approximately HK$78,077,000 accounting for 4% of the Group's turnover for the year.

Real Estate Development

The Group's unswerving dedication in developing quality residential projects in the PRC over the years has been rewarded with encouraging results. Currently, the Group is developing a number of real estate projects across different cities of Guangdong Province and Fujian Province in the PRC. Despite the changing international economic situation and softening economic growth in the PRC, the government's dedicated efforts in stimulating domestic consumption will fuel a continued growth in the domestic economy, which will be favourable to the long-term development of the real estate market in the PRC.

More than 83% of the units of Long Feng Chun Xiao (龍鳳春曉) (a residential project located in Doumen, Zhuhai and developed in cooperation with the joint venture partners) have been sold since its launch in 2010. This project also generated turnover of approximately HK$98,403,000 (2011: HK$84,272,000) for the year.

The first phase of The Lakeview Bay (尚薈海岸(景湖灣)) (a villa and high-rise complex project wholly-owned by the Group and located in Gaoyao District, Zhaoqing City) has been completed after a brand new renovation process, and 140 twin-house villas will be re-launched into the market on New Year's Day in 2013. The second phase, high-rise residential units are also expected to be rolled out into the market by the end of 2013. The project is located near to the new Zhaoqing Xijiang Bridge, and is surrounded by luscious green landscape and overlooks the vast Xijiang River. Located in the core area of Zhaoqing Bin Jiang Xin Cheng, the project is blessed with promising appreciation potential and is expected to contribute remarkable profits for the Group.

Another residential project, Shan Shui Xiang Ri (山水向日), is expected to commence construction in 2013 and will be available for pre-sale at the end of the year 2014. Yi Jing Yuan (怡景園) and Zun Jing Yuan (尊景園) (two residential projects located in Jiangmen, Kaiping) is expected to commence construction and will be available for pre-sale in 2014. The proceeds from the above projects will be accounted successively, contributing to the Group's profits in the forthcoming years.

Corporate citizen

The Group believes that a better and more harmonious community can be created at different facets. Apart from positively participating in charity fund-raising activities and encouraging our staff to take part in different charity activities, we are also committed to improving the environment of old communities. In addition to constant enhancement of the building designs, construction materials and property management quality, the Group also takes into account the positive impact and benefit of the development on the community. The Group is also devoted to implementing improvement works to enhance the community environment. These efforts have raised the quality of the environment, which is in turn beneficial to the living standards of the residents within the community.

Walk for the Environment 2012 Charity Walk

The Group took part in the fund-raising activity of the Walk for the Environment 2012 as a Bronze Sponsor for the second consecutive year in 2012. The theme of the hiking competition was to promote of environmental awareness and culture conservation, and started from Ma On Shan Country Park, via a number of environmental conservation attractions. More than 30 employees and two executive directors of the Group teamed up to participate in the activity. Their participation gave them a chance to sweat their brows and test their physical fitness, and to raise funds for environmental conservation. The activity helped arouse the awareness of environmental protection and the love for nature.

Soundwill Volunteer Team

To play an active role in the community, the Group established Soundwill Volunteer Team, a social cause to encourage its employees and their families to give helping hands to those people who are in need. By regularly sponsoring and participating in the Family Story Telling program organized by the Hong Kong Outlying Islands Women's Association, the Group's Volunteer Team teaches positive attitudes among school children and spread the spirits of love and care through story-telling.

Also, in line with the Group's long-lasting commitment to enhancing environmental awareness in the office, environmentally-friendly and energy-saving lighting systems were used in the Group's commercial buildings. Activities such as paper recycling as well as waste paper recycling and sorting were organized, in an effort to build an energy-saving working environment.

Caring Company

The concerted efforts of the Group's management and employees in making positive contribution to the community were commended by three social welfare organizations. The Group was honoured as a Caring Company by The Hong Kong Council of Social Service. The Group, in conjunction with its member companies and property projects, received a number of commendations, in recognition of our dedication and efforts to fulfill social responsibilities and assume social corporate responsibilities over the years.

Trace The City

To support local art and culture development, the Group organized Trace The City activity and invited the participation of ten students from the Department of Visual Arts Education and Creative Arts and Culture of The Hong Kong Institute of Education in August. The activity was themed with a core concept of "An artwork for an inspiration". The students were invited to pay guided field tour visits to Causeway Bay district from 6 to 10 August, and to subsequently express their feelings and thoughts about those visits through different art forms such as light and shadow art, drawing in colours, painting in watercolors, mixed collage and three-dimensional sculpture. By holding the exhibition, we hoped to convey the local social culture through the artistic creation of young people, and to pass the message of urban revitalization. Through the exhibition of the students' works, the city's old and new memories were displayed to the public in new perspectives. The exhibition had a positive impact on the promotion of the community culture.

Results of Operations

During the year under review, the Group's turnover recorded of approximately HK$1,801,968,000 (2011: HK$901,690,000), representing a significantly increase as compared with last year. The substantial increase in turnover was due to the delivery of our luxury residential development, Warrenwoods, located at Tai Hang, Causeway Bay, Hong Kong.

Selling expenses mainly represents the sales commission paid for the pre-sale launch of our another luxury residential development "Park Haven" located in Causeway during the year. Substantial increase in administrative expenses also due to expansion of various team such as marketing team, construction team and project development team in order to cope with the expansion of the Group. Increase in finance cost was mainly due to increase in average borrowing cost.

Furthermore, the increase in fair value of investment properties was due to the revaluation gain of our Group core investment property, Soundwill Plaza, located at Causeway Bay, Hong Kong.

Profit Attributable to Owners of the Company

During the year, the Group has achieved a profit attributable to owners of the Company of approximately HK$3,330,143,000 (2011: HK$2,111,219,000), an increase of 58% as compared with last year. This increase was mainly due to profit from our sales proceeds luxury residential development, Warrenwoods and a gain on fair value adjustments on investment properties during the year.

Net Assets

The total net asset of the Group as at 31 December 2012 amounted to HK$13,802,206,000 (2011: HK$10,277,734,000). Net asset per share as at 31 December 2012 is HK$49.16 (2011: HK$37.38).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2012, the Group's cash and cash equivalents amounted to HK$615,421,000 (2011: HK$571,944,000). Total borrowings of the Group amounted to HK$2,993,501,000 (2011: HK$3,509,413,000) as at 31 December 2012.

During the year under review, the Group has received proceeds of approximately HK$406,458,000 from the buyers of the Group's recent brand new luxury residential project, Park Haven, in Causeway Bay, Hong Kong.

As at 31 December 2012, the Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 22% (2011: 34%). As at 31 December 2012, the net assets of the Group amounted to HK$13,802,206,000 (2011: HK$10,277,734,000).

The Group's exposure to foreign currency risk mainly arises from the exchange rate movement between Hong Kong Dollar and Renminbi in relation to its PRC operations. Given that the sustained appreciation of Renminbi would have a positive impact on the Group's assets in the PRC and turnover generated from the PRC, the Group had not implemented any hedging measures during the year under review.

During the year under review, the Group did not engage in any derivative activities or use any financial instruments to hedge its balance sheet exposures.

Acquisition and development of properties are financed partly by internal resources and partly by bank borrowings. Repayment of bank loans are scheduled to match asset lives and project completion dates. Borrowings are mainly denominated in Hong Kong Dollars and bear interest at floating rates.

REVIEW BY AUDIT COMMITTEE

The audited consolidated results of the Group for the year ended 31 December 2012 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2012 have been agreed by the Group's auditor, BDO Limited and is in line with the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PLEDGE OF ASSETS

As at 31 December 2012, certain investment properties, property, plant and equipment and properties under development of the Group with a total carrying value of approximately HK$13,474,444,000 (2011: HK$12,383,841,000) were pledged to secure banking facilities for the Group.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTORS RELATIONSHIP

Effective communication with shareholders is a crucial aspect of investor relations and will ultimately assist the investment community in understanding the Group's business performance and development strategies. The Group hence strives to promote continuous dialogue with our shareholders and investors via different communication channels, including interviews, telephone conferences, overseas roadshows and project site visits. The Group proactively stays in touch with the press through news releases notices, announcements and other promotional materials, as well as media briefings and media interviews after its results announcements. The Group is also committed to enhancing corporate transparency and will provide timely disclosure of information on the Group's developments to help shareholders and investors make investment decisions.

The Group is devoted to enhancing corporate governance on business growth and strives to attain a balance between corporate governance and performance. The Board of Directors believes that sound corporate governance is essential to the success of the Company and will enhance shareholders' value.

PROSPECTS

Looking ahead, the global economic environment will remain challenging and uncertain this year, as the ongoing European sovereign debt crisis and the risk of economic recession arising therefrom remain major concerns in the market. The U.S. economy will also be affected by tax increases and spending cuts in early 2013. However, supported by a low interest rate environment and recent monetary measures implemented by the European Central Bank as well as the possible relaxation of monetary policies by other major non-European central banks, the risks of a global economic downturn will be lowered.

Despite the softening economy in Mainland China , we believe Hong Kong's economy will continue to sustain a reasonable level of growth. In addition, improved income prospects, low mortgage rates and limited supply of new residential units will together stimulate the local real estate market. In the medium to long term, along with the recent implementation by the Hong Kong government of a series of relevant policies, especially measures relating to the increase in housing and land supply and the speeding up of the approval of building plans, it is anticipated that the balance of supply and demand in the residential property market will be improved.

The Group's rental income performance is expected to remain strong. Thanks to our well executed strategies and a relatively stable rental market environment, the overall occupancy rate of our rental property portfolio is expected to be maintained at a high level, hence rental renewals and new rates will continue to be on the rise. The Group's rental income, with contribution from investment properties to be completed, will be further enhanced. Such investment properties include No.10 Knutsford Terrace, Tsim Sha Tsui, an acquisition transaction which was completed on 28 February 2013, and Soundwill Plaza II – Midtown, which is scheduled for completion in the third quarter of 2013.

Keeping in tune with the impressive performance of its property sales and the significant improvement in various aspects of its business operations during the year, the Group will continue to monitor the developments of the market, and adopt a prudent management approach on its property portfolio and investment strategy. We will also adopt a balanced sales strategy to capture optimal selling opportunities for our property developments. The Group will strive for more brilliant results in the next financial year.

The Group is dedicated to building premium properties and providing services of superb quality. We constantly strive to raise the brand appeal of our core properties. While optimizing our tenant mix, we also provide better products and services through the strengthening of the superior quality of our brand, in order to accelerate the turnover of assets and strengthen the business of the development of properties for sales. Looking ahead, the Group will progress further enhancement at various operational levels, and will endeavour to maintain high standards of management, planning, execution and corporate governance. All these efforts will help us move towards our goal of sustainable growth, so as to further present more promising results and reward our shareholders with more lucrative returns.

EMPLOYEES REMUNERATION

The Group had 172 and 241 employees in Hong Kong and Mainland China respectively as at 31 December 2012. Employees were remunerated on the basis of their performance, experience and prevailing market practice. Remuneration packages comprise salary, medical insurance, mandatory provident fund and year end discretionary bonus. Total salaries and wages incurred in 2012, if excluding share option expenses of approximately HK$8,304,000 (2011: HK$8,931,000) were approximately HK$92,918,000 (2011: HK$66,125,000).

DIVIDEND

The Board recommends a payment of a final dividend of HK$0.20 (2011: HK$0.13) per share for the year ended 31 December 2012, subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 15 May 2013. The final dividend will be payable on or about 18 June 2013 to shareholders whose names appear on the register of members on 22 May 2013.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Monday, 13 May 2013 to Wednesday, 15 May 2013 (both dates inclusive). In order to determine the shareholders who are entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. Friday, 10 May 2013.

CLOSURE OF REGISTER OF MEMBER FOR DIVIDEND

The register of members of the Company will be closed from Wednesday, 22 May 2013 to Thursday, 23 May 2013 (both dates inclusive), during which no transfer of share will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. Tuesday, 21 May 2013.

CONTINGENT LIABILITIES

(a) During the course of business, certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the reporting date, those bank balances which were held on behalf of third parties and were not accounted for in the books of account and financial statements of the Group amounted to HK$5,439,000 (2011: HK$4,322,000).

(b) Since the Group commenced legal proceedings HCA 1902/2009 against a joint venture partner in 2009, with whom the Group has a joint venture agreement for the development and construction of village houses in the New Territories, the Group filed a re-amended statement of claim in December 2012. The exchange of pleadings are still ongoing and the trial date is yet to be fixed by court.

    In view of the Group's legal advisor unable to assess the likely outcome, provision for impairment on amount due from the jointly-controlled entity and provision for legal costs which amount to HK$15,565,000 and HK$4,200,000 are made respectively.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the applicable code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the year ended 31 December 2012 except that:

(1) Code Provision A.1.8

Code Provision A.1.8 provides that an issuer should arrange appropriate insurance cover in respect of legal action against its directors.

As at 31 December 2012, the Group has not yet identified any insurer which would provide insurance service to the Group on satisfactory commercial terms. As such, the Group has not yet arranged appropriate insurance cover in respect of legal action against the directors.

(2) Code Provision A.2.1

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of the chairman and chief executive officer are not separated and performed by two different individuals. Madam Foo Kam Chu, Grace is the founder and Chairman of the Group. She is responsible for the Group's overall development direction and strategies. The Chairman ensures the Board functions effectively and discharges its responsibilities. There is no chief executive officer appointed and the daily operations of the Group are delegated to other executive directors, the management and various department heads. The Board is of the view that the current management structure can effectively facilitate the Company's operation and business development.

(3) Code Provision A.4.1

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term.

The non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Bye-Laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted a code of conduct regarding directors' securities dealing transactions on term no less than the required standard set out in the Model Code (Appendix 10 of the Listing Rules).

The Company has made specific enquiry and all Directors have complied with the required standard set out in the Model Code during the year under review.

APPRECIATION

As a final note, I wish to take this opportunity to thank the Directors and staff for their contributions and good performance in the past financial year.

By order of the Board
Foo Kam Chu, Grace
Chairman

Hong Kong, 12 March 2013

As at the date of this announcement, the Board comprises (i) Executive Directors: Foo Kam Chu, Grace, Chan Wai Ling, Kong Siu Man, Kenny and Lau Kam Kwok, Dickson; and (ii) Independent Non-Executive Directors: Chan Kai Nang, Pao Ping Wing and Ng Chi Keung.