Grand Field Group Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 115)

Annual Report **2012**

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EXECUTIVE DIRECTORS

Mr. Ma Xuemian *(Chairman)*
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa, Anne
Ms. Kwok Siu Wa, Alison

NON-EXECUTIVE DIRECTORS

Mr. Chen Mudong
Mr. Lim Francis

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. David Chi-ping Chow
Mr. Liu Chaodong
Ms. Chui Wai Hung

COMPANY SECRETARY

Mr. Cheung Yuk Chuen

AUDIT COMMITTEE

Mr. David Chi-ping Chow *(Chairman)*
Mr. Liu Chaodong
Ms. Chui Wai Hung

REMUNERATION COMMITTEE

Mr. Liu Chaodong *(Chairman)*
Mr. David Chi-ping Chow
Mr. Ma Xuemian
Ms. Chui Wai Hung

NOMINATION COMMITTEE

Ms. Chui Wai Hung *(Chairman)*
Mr. Ma Xuemian
Mr. Liu Chaodong

CORPORATE GOVERNANCE COMMITTEE

Mr. Ma Xuemian *(Chairman)*
Mr. Liu Chaodong
Ms. Chui Wai Hung

AUTHORIZED REPRESENTATIVES

Mr. Cheung Yuk Chuen
Mr. Ma Xuemian

REGISTERED OFFICE IN BERMUDA

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Tower 5, China Hong Kong City,
33 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

LEGAL ADVISER ON BERMUDA LAW

Conyers Dill & Pearman
2901 One Exchange Square,
8 Connaught Place,
Hong Kong

AUDITORS

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants
Suites 313-317, 3/F
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

PROPERTY VALUER

BMI Appraisals Limited
Suite 06-12
33/F, Shui On Centre,
6-8 Harbour Road,
Wanchai, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

HSBC Securities Services (Bermuda) Limited
6 Front Street,
Hamilton HM11,
Bermuda

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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26/F, Tesbury Centre,
28 Queen's Road East,
Hong Kong

PRINCIPAL BANKER

The Bank of East Asia, Limited

WEBSITE

http://www.irasia.com/listco/hk/grandfield/

Chairman's Statement

To Shareholders:

I am pleased to present the annual results for the financial year ended 31 December 2012 of Grand Field Group Holdings Limited ("Grand Field" or the "Company", together with its subsidiaries, collectively referred to as the "Group").

BUSINESS REVIEW

In 2012 we saw the economic growth decelerating in some key markets around the globe. New challenges to the global economic recovery continued to cause headaches amongst world leaders, such as the unstable global economy, the widening income inequalities, etc. There was even concern whether China would be able to sustain its reported growth rates in the face of global economic instability as the country was trying to battle inflation.

The economic conditions in China have been challenging under the tight credit conditions. Continued concerns about the systemic impact of the global housing and mortgage markets have contributed to diminished expectations for economic growth. For the real estate sector, it was a relatively quiet period on the legislative front during the first half of 2012, given that the PRC authorities are continuing their effort from 2011 to curb the housing market speculation. The consumers had to contend with shrinking credit, and naturally the market in which our Group's business units operate felt the impact as well.

In light of this market environment and the limited number of transactions, valuation of property (land, work in progress and finished goods) and cost of real estate financing have had our special attention. The challenging market conditions have forced us to take internal measures. These issues have been addressed by the Company's Board.

In spite of all this we closed 2012 with a positive note on the road to resumption. We have been working closely with the HKEx resumption team to ensure the Company was doing everything right as a corporate citizen, and the feedback from the team has been largely promising. With the assistance from the financial advisory company, the Group looks forward to the successful resumption of trading in 2013.

INTERNAL GOVERNANCE

While exploring our development, the Board has also put more emphasis in internal control and the implementation of the rules and regulations of the Group. Under the sound corporate environment and perfect approval systems, the Group can achieve a growing and sustainable development at a faster speed.

PROSPECT

In 2013 our efforts will be geared to various potential investment opportunities. We hold on to the strategy of offering wide-ranging real estate expertise and property-related services in the Shenzhen and Dongguan areas. We are confident that the pooled resources, capabilities, creative talents and vision within the Group can provide the distinguishing features needed to confront the challenges in the year ahead and translate them into added value for our shareholders. The expertise and skills of our Board will play a vital role here. Our well-established market position will provide us with the requisite solid and robust foundation. We are convinced that 2013 will again provide ample opportunities for our Group's business units.

Ma Xuemian
Chairman

Hong Kong, 26 March 2013

FINANCIAL RESULTS

For the year ended 31 December 2012, the Group's revenue increased by 115.5% to approximately HK$12,106,000 (2011: HK$5,618,000).

During the year, the Group reported a loss attributable to owners of the Company of approximately HK$18,059,000, which was higher than last year's loss of approximately HK$11,563,000 (restated).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group's cash and cash equivalents were approximately HK$13,335,000 (2011: HK$1,415,000) and the percentage of cash and cash equivalent denominated in Hong Kong Dollar ("HK$") and Renminbi ("RMB") was 7% and 93% respectively (2011: 39% and 61%).

The Group had total current assets of approximately HK$63,649,000 (2011: HK$13,543,000), and total current liabilities of approximately HK$53,258,000 (2011: HK$29,637,000). The Group recorded total assets of approximately HK$293,072,000 (2011: HK$280,578,000 (restated)). At 31 December 2012, the Group's total interest-bearing borrowings amounted to approximately HK$25,543,000 (2011: HK$7,134,000), of which HK$25,543,000 was repayable within 1 year (2011: HK$7,134,000).

At 31 December 2012, the percentage of the Group's interest-bearing borrowings denominated in HK$ and RMB was 0% and 100% (2011: 0% and 100%) respectively and such borrowings carried interest rate at 25% per annum (2011: 36% to 40% per annum).

The gearing ratio for 31 December 2012, which was defined to be current liabilities over shareholders' equity, was 24% (2011: 12% (restated)).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's major operations are located in the PRC and the main operational currencies are HK$ and RMB. There was no material exchange rate appreciation of RMB against HK$ in 2012, and there is no adverse movement of such trend foreseen by the Group. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimise the foreign exchange risk and exposure.

CAPITAL STRUCTURE

As at 31 December 2012, the Company's issued share capital is HK$50,336,200 and the number of its issued ordinary shares is 2,516,810,000 shares of HK$0.02 each in issue.

Details of the movements in share capital of the Company are set out in Note 17.

CHARGE ON GROUP ASSETS

As at 31 December 2012, the Group had pledged the shares of its wholly owned subsidiary, Grand Field Group Limited, to the lender, Thrive Season Limited for the loan of RMB20,500,000 (equivalent to approximately HK$25,543,000). As at 31 December 2011, the Group has pledged the shares of its wholly owned subsidiary, Grand Field Property Development (Shenzhen) Company Limited, to the Lender, Truth Resource Investments Limited for the loan of RMB5,000,000 (equivalent to HK$5,907,000).

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Company did not have any other material acquisitions, disposal and significant investment of subsidiaries and affiliated companies during the year ended 31 December 2012.

CONTINGENT LIABILITIES

The Group's contingent liabilities are disclosed in Note 18.

SEGMENT INFORMATION

The details of the segment information of the Group are set out in Note 7.

EMPLOYEES

As of the end of 2012, the Group employed 15 employees (2011: 19) and had 9 Directors (2011: 9). The total costs (staff salary & director emolument) for the year amounted to approximately HK$4,862,000 (2011: HK$5,349,000 (restated)). The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from basic salary and statutory provident fund scheme, employees will also be offered bonus based on the results of the Group and their individual performance.

Executive Directors

Mr. Ma Xuemian ("Mr. Ma"), aged 48, was elected as an executive Director and the chairman (the "Chairman") of the Company on 2 December 2008 and 19 October 2009 respectively. He is also a member of the Remuneration Committee, Nomination Committee and the chairman of Corporate Governance Committee. Mr. Ma has joined the Company since 1999 and has been responsible for the Company's property sales and management in China since then. Mr. Ma has more than 10 years of management experiences in property management and marketing. From 1988 to 1992, he worked as a supervisor of the construction team in The Guangzhou Construction Company Limited, a subsidiary of the 3rd Guangdong Water and Electricity Bureau. He joined Ka Fong Industrial Company, Limited in 1992, which later became a subsidiary of the Company. Since then, he has served management role in various capacities including applying for government approval for development plan and construction plan, on-site project management, construction completion inspection. From July 1995 to 1996, he served in various management capacities including property completion and delivery management. From 1997 to 2000, he was in charge for managing the title deed application and property management in various projects in China. Since 2001, he is the General Manager of the Company's operation in Dongguan, the PRC. Mr. Ma is also a director of Grand Field Group Holdings (BVI) Limited, Grand Field Group Investments (BVI) Limited, Metro China Investment Limited, China Max Group Limited, China Maxline Limited, Grand Field Group Limited, Grand Field New Energy Company Limited, Ka Fong Industrial Company, Limited and Shing Fat Hong Limited, all being subsidiaries of the Company, and the legal representative of Shenzhen Zongke Real Estate Co., Ltd. Mr. Ma is entitled to a Director's emolument of HK$50,000 per month as at the date of this report.

Mr. Kwok Siu Bun ("Mr. Kwok"), aged 37, was appointed as a non-executive Director on 5 February 2010 and re-designated as an executive Director of the Company on 15 August 2011. Mr. Kwok graduated from Leonard Stern School of Business of New York University with a double major in Finance and Information Systems. He had previously worked for Deutsche Bank (New York) where he was a Senior Systems Analyst of the Private Banking Department. In 2003, Mr. Kwok was the project manager of Visionsky Informance Science and Technology Limited, a subsidiary of Bank of China (Guangzhou). Mr. Kwok successfully implemented several data warehouse projects for the Credit Card Centre of Bank of China (Hong Kong). He had also worked in Crushpad Winery in San Francisco. Recently, he has established Tao of Wines, a wine company dedicated to introducing a wide range of wines to the Hong Kong food and beverages market. Mr. Kwok has more than 12 years of professional experience in various industries including banking, information technology and wine business. He was also appointed as a director of Grand Field Group Limited (a subsidiary of the Company). Mr. Kwok's scope of work includes: developing business and proactively looking for investment projects and focusing on potential projects with stable efficiency and liaising with the project parties on investment cooperation at different aspects; managing investment and researching work, including setting up investment strategy and establishing investment procedures; establishing investment research team and organizing and writing investment strategy report; building good business relationship and financing channel with banks, non-banking financial institutions, securities institutions and investment funds.

Mr. Kwok is the sibling of a shareholder of Rhenfield Development Corp., a substantial shareholder of the Company. He is also the sibling of Ms. Kwok, an executive Director. Mr. Kwok is entitled to a Director's emolument of HK$35,000 per month as at the date of this report.

Profile of Directors

Ms. Chow Kwai Wa, Anne ("Ms. Chow"), aged 47, Ms. Chow holds a bachelor's degree in Business Administration from Shepherd University, USA. She was the operations manager of Air Global Holdings Limited and the business director of AGE International Limited, the subsidiary of Air Global. Previously, Ms. Chow set up a branch office for Amkey Inc., USA in Singapore and served as the operations manager of the Singapore branch. Ms. Chow had also worked as the administrative cum sales director for a number of Chinese property projects and was the assistant to several senior executives of Star TV, a subsidiary of News Corporation. Ms. Chow has extensive experience in business management, sales strategic planning and overseas marketing. Ms. Chow joined the Company in November 2009 and was appointed as an executive Director in February 2010. Ms. Chow is also the director of Grand Field Property Development (Shenzhen) Company Limited (a subsidiary of the Company) and the general manager of the sales and administration department of the Company, responsible for the operation management of the Company. Ms. Chow is entitled to a Director's emolument of HK$5,000 per month as at the date of this report.

Ms. Kwok Siu Wa, Alison ("Ms. Kwok"), aged 38, was appointed as an executive Director of the Company on 5 February 2010. Ms. Kwok holds a bachelor's degree in International Business Management from Oxford Brookes University and a master's degree in Professional Accounting from Hong Kong Polytechnic University. Ms. Kwok joined the Group in 2000 and is responsible for financial management of the Group. She has more than 10 years of experience in accounting and administrative management. Ms. Kwok was appointed as the Vice President (business development) of the Company with effect from 5 February 2010. She is also a director of Grand Field Group Holdings (BVI) Limited, Grand Field Group Investments (BVI) Limited, Metro China Investment Limited, China Max Group Limited, Grand Field Group Limited, Ka Fong Industrial Company, Limited, Shing Fat Hong Limited, Grand Field New Energy Company Limited, China Maxline Limited, Shenzhen Zongke Real Estate Co., Ltd and Grand Field Property Development (Shenzhen) Company Limited, all of which are subsidiaries of the Company.

Ms. Kwok is the sister of a shareholder of Rhenfield Development Corp., a substantial shareholder of the Company. She is also the sister of Mr. Kwok Siu Bun, an executive Director. Ms. Kwok is entitled to a Director's emolument of HK$5,000 per month as at the date of this report.

Profile of Directors

Non-executive Directors

Mr. Chen Mudong ("Mr. Chen"), aged 50, was appointed as a non-executive Director on 2 December 2008 and re-designated as an executive Director and appointed as the chief executive officer of the Company (the "CEO") on 1 March 2010. He was then re-designated as a non-executive Director and resigned as the CEO on 15 April 2011. Mr. Chen served as the director of Development Centre of Shenzhen Zhu Jiang Real Estates Development Company Limited, and was also the deputy general manager of Shenhui Zhu Jiang Real Estate Development Company Limited in Huizhou city of Guangdong Province, the PRC. He served management positions in various companies and organizations including the Fourth Research Institute of Navigational Affairs under the Ministry of Transportation, China Delta Construction Engineering Company Limited, Huizhou Runyu Real Estate Company Limited, Guangzhou Southern Airline Bi Garden Real Estate Development Company Limited, and Guangzhou Zhu Jiang Investment Group Company Limited. He had attained extensive experience in real estate development and engineering management through managing various large scale development projects. Since 1992, Mr. Chen has devoted his career in real estate development, and has attained solid management experience in team management and leadership, as well as the development management for large scale real estate projects. From 2000 to 2003, Mr. Chen was the chief executive officer of Grand Field Property Development (Shenzhen) Company Limited, an indirect wholly owned subsidiary of the Company. He has completed his postgraduate study and is also a qualified engineer. Mr. Chen is entitled to a Director's emolument of HK$15,000 per month as at the date of this report.

Mr. Lim Francis ("Mr. Lim"), aged 55, was appointed as an executive Director on 2 December 2008 and re-designated as a non-executive Director on 14 December 2009. Mr. Lim was also appointed as the alternate director of Mr. Ma Xuemian, Mr. Chen Mudong and Mr. David Chi-ping Chow on 9 December 2008 and ceased to be the alternate director of Mr. Ma Xuemian on 6 April 2011. Mr. Lim was formerly a director of Business Development for Hutchison Telecom, AT & T (Asia Pacific) and most recently Asia Global Crossing. He was instrumental in opening both India and China markets, whilst at AT & T by securing two cellular licenses in India and by forming the first State Council approved telecom service joint venture in China. Mr. Lim has over 15 years of experience in corporate advisory, business planning, alliance and joint venture formation and cross border mergers and acquisition. He also has extensive experience in conducting business in Greater China, Korea, ASEAN and India. Mr. Lim was awarded a Bachelor of Science Degree in Chemical Engineering from the University of Winconsin in 1980 and a Master of Science Degree in Finance from the Hong Kong University of Science and Technology in 2007.

Further, Mr. Lim was a director of Champford Corporation Limited when it was dissolved by deregistration on 23 November 2007 after it remained dormant for several years. Champford Corporation Limited was incorporated in Hong Kong and was principally engaged in trading business before turning dormant. Mr. Lim is entitled to a Director's emolument of HK$25,000 per month as at the date of this report.

Independent Non-executive Directors

Mr. David Chi-ping Chow ("Mr. Chow"), aged 56, was appointed as an independent non-executive Director of the Company on 2 December 2008, and is also a member of the Remuneration Committee and the chairman of the Audit Committee. Mr. Chow is currently the managing director of Tekhill Holdings Ltd. Mr. Chow had been the general manager of China Region of Interclients LLC and a partner of Shanghai China Bay. Mr. Chow is a United States Certified Public Accountant and an American Certified Tax Practitioner. He has 30 years of experience in financial planning, corporate internal control and audit, strategic planning and implementation. Mr. Chow was the chief financial officer for China of General Mills and Haagen-Dazs, the chief financial officer of Xian Janssen Pharmaceutical, a subsidiary of Johnson & Johnson group. He was the chief financial officer for Greater China of Pillsbury and Haagen-Dazs, the chief financial officer for China and Vice-President of Supply Chain of Nabisco. He was a partner of Speakman & Price, a public accounting firm and a financial analyst of Motorola. Mr. Chow graduated with a Bachelor Degree in Accounting from Santa Clara University, California. He also received management training from Columbia University and Northwestern University. Mr. Chow is entitled to a Director's emolument of HK$15,000 per month as at the date of this report.

Mr. Liu Chaodong ("Mr. Liu"), aged 44, was appointed as an independent non-executive Director on 25 August 2009, and is also a member of the Audit Committee, Nomination Committee and Corporate Governance Committee and the chairman of the Remuneration Committee. Mr. Liu has practising qualifications of registered accountant, registered tax agent, forensic accounting practitioners and certified public valuer in the PRC. In 1990, Mr. Liu graduated from Anhui Jianghuai Vocational University, the PRC, majoring in financial accounting. In 2006, he graduated from Huazhong University of Science and Technology, the PRC, majoring in legal studies. Mr. Liu served as the chief accountant in Blue Star New Chemical Materials Co., Ltd. from 1991 to 1994 and a department manager in Zhonglei Certified Public Accountants Co., Ltd. from 1994 to 1997 Mr. Liu is currently the deputy general manager of Crowe Horwath China CPAs Co. Ltd., Guangdong Foshan Branch, the PRC. Mr. Liu is entitled to a Director's emolument of HK$10,000 per month as at the date of this report.

Ms. Chui Wai Hung ("Ms. Chui") aged 45, was appointed as an independent non-executive Director on 21 September 2010, and is also a member of the Audit Committee, Remuneration Committee, Corporate Governance Committee and the chairman of the Nomination Committee. Ms. Chui is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. She holds a bachelor's degree in business administration from the Chinese University of Hong Kong. From 1996 to 2002, Ms. Chui joined Wing Lee Holding Limited (a company listed on the Stock Exchange) as group financial controller, and was then promoted to finance director and company secretary. She once worked as a financial controller in a telecommunications equipment company, a company listed on the Stock Exchange. Ms. Chui is the directors of several companies of a private group which is principally engaged in investment holding and providing financial advisory services. Ms. Chui has over 20 years of experience in accounting, auditing and financial management. Ms. Chui is entitled to a Director's emolument of HK$10,000 per month as at the date of this report.

CORPORATE GOVERNANCE

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices to the former Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Old CG Code") from 1 January 2012 to 31 March 2012 and has complied with all the code provisions as set out in Corporate Governance Code and Corporate Governance Report to the existing Appendix 14 of the Listing Rules (the "CG Code") from 1 April 2012 to 31 December 2012.

This report describes its corporate governance practices and explains the applications of the principles on the CG Code except for the following deviations:

(i) According to the code provision A.2.1 of both the Old CG Code and the CG Code, the roles of the chairman (the "Chairman") and the chief executive officer (the "CEO") should be separate and should not be performed by the same individual.

During the year ended 31 December 2012, the role of the Chairman is performed by Mr. Ma Xuemian but the office of the CEO is vacated. However, the board of directors (the "Board") of the Company will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

(ii) According to code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against the directors of the Company (the "Directors"). The Company has been looking for appropriate insurance covering the liabilities of the Directors that may arise out of the corporate activities, but has yet been accepted by any insurance company for such insurance arrangement. However, the Company keeps looking for an appropriate insurance at the Company's best efforts.

In addition, due to the difficulties in obtaining information and underlying or supporting documents relating to and constituting the accounting records of Yuan Cheng Real Estate (Shenzhen) Limited（遠程置業（深圳）有限公司）and the Company required additional time to provide appropriate and necessary information to the auditors of the Company to perform and complete their audit, there was a delay in publication of annual results announcement for the year ended 31 December 2011. These constitute the breach of rules 13.49(1) and 13.49(2) of the Listing Rules. Further details can be referred to the announcement dated 29 March 2012.

(iii) According to the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. A non-executive Director and all independent non-executive Directors were unable to attend the annual general meeting of the Company held on 15 June 2012 due to business commitments outside Hong Kong.

(iv) According to the code provision E.1.2 of the CG Code, the Company's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence. The former auditors of the Company, Baker Tilly Hong Kong Limited was unable to attend the annual general meeting of the Company held on 15 June 2012 due to other important engagement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standard in the Model Code for dealing in securities of the Company throughout the year ended 31 December 2012.

BOARD OF DIRECTORS

The Board now comprises a total of nine Directors, of whom four are executive Directors, two are non-executive Directors and three are independent non-executive Directors, and at least one of the independent non-executive Directors have appropriate professional qualifications to comply with Rules 3.10(1) and (2) of the Listing Rules. The Board believes that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. All independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board, led by the Chairman, is responsible for approving and monitoring the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management.

The Board is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board is also required to approve acquisitions or disposals that require shareholder notification or approval under the Listing Rules. The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the shareholders of the Company (the "Shareholders").

The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for the Board's approval. Decisions of the Board are put through to the management by the executive Directors who have attended the Board meetings.

Save as disclosed in the section of "Profile of Directors", there is no financial, business, family or other material/relevant relationship among the members of the Board.

During the period from 1 April 2012 to 31 December 2012, the management provided all members of the Board with monthly updates in accordance with the code provision C.1.2 of the CG Code.

During the year ended 31 December 2012, 9 Board meetings and 1 general meeting were held. The attendance records of each Director at such meetings are set out below:

Directors	Attendance/ Number of General Meeting entitled to attend	Attendance/ Number of Board Meetings entitled to attend
Executive Directors:		
Mr. Ma Xuemian *(Chairman)*	1/1	8/9
Mr. Kwok Siu Bun	1/1	9/9
Ms. Chow Kwai Wa, Anne	1/1	9/9
Ms. Kwok Siu Wa, Alison	1/1	8/9
Non-executive Directors:		
Mr. Chen Mudong	0/1	8/9
Mr. Lim Francis	1/1	7/9
Independent non-executive Directors:		
Mr. David Chi-ping Chow	0/1	6/9
Mr. Liu Chaodong	0/1	6/9
Ms. Chui Wai Hung	0/1	6/9

Minutes of the meetings of Board/committee members would be maintained, and draft minutes would be circulated to the Board/committee members for comments before being approved by the chairman of the meetings. Minutes of the Board meetings are kept by the company secretary of the Company and shall be open for inspection by Directors. Minutes of the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the corporate governance committee ("the Corporate Governance Committee") of the Company are kept by the secretary of these four committees. Where Directors have a material or conflict of interests in any transaction the matter would not be dealt with by way of written resolutions and a Board meeting would be held. The Directors concerned could express views but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

CONTINUING PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant. The Company would arrange and/or introduce some Director's training courses for the Directors to develop and explore their knowledge and skills.

The Directors confirmed that they have complied with the code provision A.6.5 of the CG Code on the Directors' training. During the year ended 31 December 2012, all the Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

Directors	**Topics on training covered** *(Note)*
Executive Directors:	
Mr. Ma Xuemian *(Chairman)*	(b)
Mr. Kwok Siu Bun	(a), (b)
Ms. Chow Kwai Wa, Anne	(a), (b), (c)
Ms. Kwok Siu Wa, Alison	(b)
Non-executive Directors:	
Mr. Chen Mudong	(b)
Mr. Lim Francis	(b)
Independent non-executive Directors:	
Mr. David Chi-ping Chow	(c)
Mr. Liu Chaodong	(b), (c)
Ms. Chui Wai Hung	(b)

Note:

(a) corporate governance

(b) regulatory

(c) finance

CHAIRMAN AND THE CHIEF EXECUTIVE

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual.

During the year ended 31 December 2012, the role of the Chairman was performed by Mr. Ma Xuemian but the office of the CEO was vacated upon the resignation of Mr. Chen Mudong as the CEO on 15 April 2011. The Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under the code provision A.4.1 of the CG Code, the non-executive directors should be appointed for a specific term.

Each of the non-executive Directors, namely Mr. Chen Mudong and Mr. Lim Francis; and independent non-executive Directors, namely Mr. David Chi-ping Chow, Mr. Liu Chaodong and Ms. Chui Wai Hung, have entered into an appointment letter with the Company for a term from 14 December 2011 to 31 March 2013.

According to the code provision A.2.7 of the CG Code, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. The Company complied the code provision A.2.7 of the CG Code that the Chairman met the non-executive Directors and the independent non-executive Directors without the present of the executive Directors.

REMUNERATION COMMITTEE

The Remuneration Committee, which currently comprises one executive Director, namely Mr. Ma Xuemian and three independent non-executive Directors, namely Mr. Liu Chaodong (chairman of the Remuneration Committee), Mr. David Chi-ping Chow and Ms. Chui Wai Hung, was established on 26 September 2005 with written terms of reference in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Remuneration Committee was revised on 28 March 2012 and is available on the Stock Exchange and the Company's websites.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; reviewing the specific remuneration packages of all Directors and senior management by reference to corporate goals and objective resolved by the Board from time to time; ensuring no Director or any of his associates is involved in deciding his own remuneration and advising the Shareholders on how to vote with respect to any service contracts of the Directors that requires the Shareholders' approval.

The roles and functions of the Remuneration Committee include to make recommendation to the Board on the remuneration packages of individual executive Directors, which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss and termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors.

One Remuneration Committee meeting was held in 2012 to review the remuneration of the Directors and senior management. The attendance record of the meeting is as follows:

Members	**Attendance**
REMUNERATION COMMITTEE	
Mr. Liu Chaodong *(Chairman)*	1/1
Mr. David Chi-ping Chow	1/1
Mr. Ma Xuemian	1/1
Ms. Chui Wai Hung	1/1

AUDIT COMMITTEE

The Audit Committee was established on 4 August 1999 with written terms of reference with the requirement stipulated in the CG Code. The full terms of reference of the Audit Committee was revised on 28 March 2012 and is available on the Stock Exchange and the Company's websites.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. David Chi-ping Chow (chairman of the Audit Committee), Mr. Liu Chaodong and Ms. Chui Wai Hung. Its primary duties are to monitor integrity of the annual report and accounts and half-year report of the Company and to review significant reporting judgements contained in such reports; to review the Group's financial and accounting policies and practices; to review the Group's financial control, internal control and risk management system of the Group with particular regard to their effectiveness and to make recommendations to the Board where the monitoring activities of the Audit Committee reveal cause for concern or scope for improvement.

The Audit Committee held four meetings during the year ended 31 December 2012 to consider the consolidated financial statements for the year ended 31 December 2011 and the unaudited consolidated financial statements for the six months ended 30 June 2012, to discuss the change of auditors of the Company and to review the internal control of the Company. The Audit Committee also complied with the code provision C.3.3 of the CG Code to meet the auditor in absence of management for reviewing the internal control of the Company. The attendance records of the meetings are as follow:

Members	**Attendance**
AUDIT COMMITTEE	
Mr. David Chi-ping Chow *(Chairman)*	4/4
Mr. Liu Chaodong	4/4
Ms. Chui Wai Hung	2/4

NOMINATION OF DIRECTORS

In accordance with the bye-laws of the Company (the "Bye-laws"), the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Apart from that, nomination of Directors is determined by the Board with approvals by the Shareholders in general meeting. In addition, a resolution was passed by the then sole Shareholder on 20 May 1999, which resolved to set the maximum number of Directors at 15.

Notwithstanding the above, in the High Court judgment ("Judgment") handed down on 12 August 2009, paragraph 39 states that Bye-law 113 of the Bye-laws empowers the Company in general meeting to increase the number of Directors beyond the 1999 maximum simply by voting on specified candidates as additional Directors. Paragraph 41 of the Judgment further states that in contrast the Board's ability to vote on additional Directors is explicitly limited by any prevailing maximum which the Company in general meeting has expressly or impliedly determined.

NOMINATION COMMITTEE

The Nomination Committee was established on 28 March 2012 with written terms of reference in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Nomination Committee is available on the Stock Exchange and the Company's websites.

The Nomination Committee currently comprises one executive Director, namely Mr. Ma Xuemian and two independent non-executive Directors, namely Ms. Chui Wai Hung (chairman of the Nomination Committee) and Mr. Liu Chaodong.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; assessing the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee held 1 meeting during the year ended 31 December 2012 to review the structure, size and composition of the Board. The attendance record of the meeting is as follow:

Members	Attendance
NOMINATION COMMITTEE	
Ms. Chui Wai Hung *(Chairman)*	0/1
Mr. Liu Chaodong	1/1
Mr. Ma Xuemian	1/1

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was established on 28 March 2012 with written terms of reference in compliance with the requirement stipulated in the CG Code.

The Corporate Governance Committee currently comprises one executive Director, namely Mr. Ma Xuemian (chairman of the Corporate Governance Committee) and two independent non-executive Directors, namely Mr. Liu Chaodong and Ms. Chui Wai Hung.

The principal responsibilities of the Corporate Governance Committee include developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of the Directors and senior management; reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and the Directors; and reviewing the Group's compliance with the CG Code and disclosure in the corporate governance report of the Company.

The Corporate Governance Committee held 1 meeting during the year ended 31 December 2012 to review policies and practices of the Group relating to the CG Code. The attendance record of the meeting is as follow:

Members	Attendance
CORPORATE GOVERNANCE COMMITTEE	
Mr. Ma Xuemian *(Chairman)*	1/1
Mr. Liu Chaodong	1/1
Ms. Chui Wai Hung	0/1

INTERNAL CONTROLS

The Board believes that the system of internal controls maintained by the Company's management, which was in place throughout the financial year and up to the date of this report, provides reasonable, but not absolute, assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, the compliance with appropriate legislation and regulation and the identification of business risk. The Group has in place policies and guidelines which are zealously implemented by the management of the Group so as to ensure that the Group has the ability to:

(i) carry on its business in an orderly and efficient manner;

(ii) safeguard the Group's and the clients' assets;

(iii) maintain proper records and the reliability of financial and other information used within and published by the Group;

(iv) prevent and detect potential fraud; and

(v) comply with all applicable laws and regulatory requirements.

The Board acknowledges that it is responsible for the Company's internal control system and for reviewing its effectiveness. The Board has reviewed the effectiveness of the Company's internal control system during the financial year. The Board considers that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes are adequate.

ACCOUNTABILITY AND AUDIT

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2012, the Directors have:

– approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on a going concern basis. The Directors, having made appropriate enquiries, consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Board is accountable to the Shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other inside information announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2012.

EXTERNAL AUDITOR

ZHONGLEI (HK) CPA Company Limited was appointed as the auditors of the Company with effect from 20 July 2012 to fill the casual vacancy occasioned by the departure of Baker Tilly Hong Kong Limited ("Baker Tilly") after the proposed resolution to re-appoint Baker Tilly as the auditors of the Company was voted down in the annual general meeting of the Company on 15 June 2012. The consolidated financial statements of the Group for the year ended 31 December 2012 were audited by ZHONGLEI (HK) CPA Company Limited.

The auditor's responsibility is to form an independent opinion based on their audit results on the Company's financial statement and to report their opinion to the Company, as a body, and for no other purposes. The auditors of the Company do not assume responsibilities towards or accept liability to any other person for the contents of the report of auditor.

The auditor's remuneration for the provision of annual audit services of approximately HK$587,000 was charged to the Group's income statement for the year ended 31 December 2012 (2011: HK$492,000), and the auditor's remuneration for the provision of non-audit services of approximately HK$359,000 was charged to the Group's income statement for the year ended 31 December 2012 (2011: HK$212,000).

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Company values communication with the Shareholders and investors. The Company uses two-way communication channels to account to the Shareholders and investors for the performance of the Company. Enquiries and suggestions from the Shareholders or investors are welcomed, and enquires from the Shareholders may be put to the Board through the following channels to the Company:

1. By mail to the Company's principle place of business at Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong;

2. By telephone at telephone number (852) 2380 1330;

3. By fax at fax number (852) 2380 1996; or

4. By email at gfgadmin@gf115.net

The Company uses a number of formal communications channel to account to the Shareholders and investors for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or special general meeting providing a forum for the Shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its Shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the Shareholders in respect of all share registration matters.

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed and on a regular basis information of the Group to the Shareholders through the publication of interim and annual reports and/or dispatching circular, notices, and other announcements.

The Company strives to take into consideration the Shareholders' views and inputs, and address the Shareholders' concerns. The Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The Chairman as well as chairmen of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee, or in their absence, the Directors are available to answer the Shareholders' questions on the Group's businesses at the meeting.

All Shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by the Shareholders. According to Bye-Law 65 of the Bye-laws and the Companies Act 1981 of Bermuda, the directors of a company, notwithstanding anything in its Bye-laws shall, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene a special general meeting of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists.

If a Shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's head office in Hong Kong at Unit 1004B, 10/F, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Notice (i) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (ii) must be signed by the Shareholder concerned including the information/documents to verify the identity of the Shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgment of the Notice shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such meeting. In order to ensure the Shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a Director without adjourning the general meeting, the Shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for such election.

The Board has established a shareholder communication policy on 28 March 2012 and will review it on a regular basis to ensure its effectiveness to comply with the code provision E.1.4 of the CG Code.

In order to promote effective communication, the Company also maintains website (http://www.irasia.com/listco/hk/grandfield/) which include the latest information relating to the Group and its businesses.

COMPANY SECRETARY

The company secretary of the Company, Mr. Cheung Yuk Chuen is delegated by an external service provider. The external service provider's primary contact person at the Company is Ms. Chow Kwai Wa, Anne, the executive Director.

On behalf of the Board

Ma Xuemian
Chairman

Hong Kong, 26 March 2013

The Directors submit herewith their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 18 to the consolidated financial statements. There have been no significant changes in the nature of the Group's principal activities during the year.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 13 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Revenue made from the five largest customers of the Group was approximately 68% (2011: approximately 69%) of the Group's turnover, before deducting sales return of properties, for the year ended 31 December 2012.

Revenue made to the Group's largest customers accounted for approximately 56% (2011: approximately 31%) of the Group's total turnover for the year ended 31 December 2012.

At no time during the year under review, the Directors, their associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in the five major customers.

During the year under review, no construction was performed and thus no major suppliers were identified.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2012 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 35 to 132.

TRANSFER TO RESERVES

The loss attributable to the Shareholders of HK$18,059,000 (2011: HK$11,563,000 (restate)) has been transferred to reserves. Other movements in reserve are set out in note 37(a) to the consolidated financial statements.

DIVIDENDS

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2012 (2011: nil). No interim dividend was declared for the six months ended 30 June 2012 (2011: nil).

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at year end date. The revaluation resulted in a deficit of HK$2,313,000 (2011: a deficit of HK$6,513,000), which has been debited directly to the consolidated income statement respectively. The deferred tax arising from the revaluation amounted to HK$1,297,000 in 2012 (2011: HK$3,652,000). Details of the revaluation are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually.

The Company has adopted a share option scheme on 23 June 2006 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

DIRECTORS

The Directors during the year ended 31 December 2012 and up to the date of this report were:

Executive Directors:

Mr. Ma Xuemian *(Chairman)*
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa, Anne
Ms. Kwok Siu Wa, Alison

Non-executive Directors:

Mr. Chen Mudong
Mr. Lim Francis

Independent non-executive Directors:

Mr. David Chi-ping Chow
Mr. Liu Chaodong
Ms. Chui Wai Hung

Pursuant to Bye-laws 111(A), Mr. Ma Xuemian, Mr. Kwok Siu Bun and Ms. Kwok Siu Wa, Alison will retire at the forthcoming annual general meeting (the "AGM"). The said Directors, being eligible for re-election, will offer themselves for re-election at the AGM.

The Board has received annual confirmations of independence from each of the three independent non-executive Directors, and as at the date of this report still considers them independent.

Biographical details of the Directors are set out on pages 7 to 10 of this report.

DIRECTORS' APPOINTMENT LETTERS

Each of the executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa, Anne and Ms. Kwok Siu Wa, Alison, have entered into an appointment letter with the Company for a term from 1 April 2012 to 31 March 2013.

Each of the non-executive Directors, namely Mr. Chen Mudong and Mr. Lim Francis; and independent non-executive Directors, namely Mr. David Chi-ping Chow, Mr. Liu Chaodong and Ms. Chui Wai Hung, have entered into an appointment letter with the Company for a term from 14 December 2011 to 31 March 2013.

None of the Directors proposed for re-election at the AGM has an appointment letter with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

(i) Long positions in shares of the Company

As at 31 December 2012, none of the Directors and chief executive of the Company has any interests and long positions in the shares, underlying shares or debentures in the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in the Listing Rules.

(ii) Share options in the Company

On 23 June 2006, the Company adopted the Share Option Scheme, pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contractor to any company in the Group or any affiliate; and (ii) any discretionary trust the discretionary objects of which include any of the foregoing parties in (i) above. The purpose of the Share Option Scheme is to enable the Board to grant options to eligible participants as (i) incentives and/or rewards in recognition or acknowledgement the contributions that eligible participants have made and will make to the Group; and (ii) motivation to high calibre employees for high levels of performance in order to enhance long-term shareholder value. The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a share of the Company.

Upon acceptance of the options, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within 21 days from the date of grant. The exercise period of any option granted under the Share Option Scheme must not be more than 10 years commencing on the date of grant.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of shares of the Company in issue as at the date of approval of the Share Option Scheme. The Board may seek approval by the Shareholders at general meeting to refresh the 10% limit. However, the total number of shares available for issue under exercise of options which may be granted under the Share Option Scheme in these circumstances must not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshment of the 10% limit.

As at the date of this report, a total of 203,900,000 share options have been granted under the Share Option Scheme and the outstanding number of options available for issue under the Share Option Scheme is 765,000, representing approximately 0.03% of the issued share capital of the Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Share Option Scheme from 23 June 2006.

No options were granted, outstanding, lapsed, exercised or cancelled during the year ended 31 December 2012.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the heading "Directors' interests in shares and options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any rights to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 36 to the consolidated financial statements, no Director had a significant beneficial interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2012, other than the interests disclosed above in respect of certain Directors, so far as is known to the Directors, the following parties (other than the Directors and chief executives of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholders	Capacity /nature of interests	Number of ordinary share(s) held	Total interests as percentage of the issued share capital
Hongkong Zhongxing Group Co., Limited (Note 1)	Beneficial Owner	561,750,000	22.32%
Li Yi (Note 1)	Interest of Controlled Corporation	561,750,000	22.32%
Kwok Wai Man, Nancy	Beneficial Owner	14,170,000	0.56%
	Interest of Controlled Corporation (Note 2)	479,050,000	19.03%
	Interests of Spouse (Note 3)	64,210,000	2.55%
Rhenfield Development Corp. (Note 2)	Beneficial Owner	479,050,000	19.03%
Tsang Wai Lun, Wayland	Beneficial Owner	64,210,000	2.55%
	Interest of Controlled Corporation (Note 2)	479,050,000	19.03%
	Interests of Spouse (Note 4)	14,170,000	0.56%

Note 1: Hongkong Zhongxing Group Co., Limited is owned by Ms. Li Yi. is deemed to be interested in 561,750,000 shares of the Company pursuant to the Part XV of the SFO.

Note 2: Rhenfield Development Corp. is owned by Ms. Kwok Wai Man, Nancy and Mr. Tsang Wai Lun, Wayland in equal shares. Ms. Kwok Wai Man, Nancy and Mr. Tsang Wai Lun, Wayland are deemed to be interested in 479,050,000 shares of the Company pursuant to the Part XV of the SFO.

Note 3: These 64,210,000 shares are owned by Mr. Tsang Wai Lun, Wayland, spouse of Ms. Kwok Wai Man, Nancy. Ms. Kwok Wai Man, Nancy is deemed to be interested in 64,210,000 shares of the Company pursuant to the Part XV of the SFO.

Note 4: These 14,170,000 shares are owned by Ms. Kwok Wai Man, Nancy, spouse of Mr. Tsang Wai Lun, Wayland. Mr. Tsang Wai Lun, Wayland is deemed to be interested in 14,170,000 shares of the Company pursuant to the Part XV of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

COMPETING INTERESTS

As at 31 December 2012, none of the Directors, the management Shareholders or substantial Shareholders or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2012.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

FINANCIAL SUMMARY

A summary of the published results, and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated and reclassified as appropriate, is set out on page 133. This summary does not form part of the audited consolidated financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31 December 2012 are set out on pages 134 to 138.

BANK LOANS AND OTHER BORROWINGS

Details of bank and other borrowings are set out in note 27 to the consolidated financial statements.

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

During the year ended 31 December 2012, neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 11 to 22. The Directors believe the long term financial performance as opposed to short term rewards is a corporate governance objective. The Board would not take undue risks to make short term gains at the expense of the long term objectives.

COMPLIANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the Old CG Code from 1 January 2012 to 31 March 2012 and the CG Code from 1 April 2012 to 31 December 2012 except the deviations stated in the Corporate Governance Report on pages 11 to 22.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2012, with external auditor. There were no disagreements from the auditors of the Company or the Audit Committee in respect of the accounting policies adopted by the Company.

AUDITORS

The consolidated financial statements of the Group for the years ended 31 December 2010 and 2011 were audited by Baker Tilly.

ZHONGLEI (HK) CPA Company Limited was appointed as the auditors of the Company with effect from 20 July 2012 to fill the casual vacancy occasioned by the departure of Baker Tilly after the proposed resolution to re-appoint Baker Tilly as the auditors of the Company was voted down in the annual general meeting of the Company on 15 June 2012. The consolidated financial statements of the Group for the year ended 31 December 2012 were audited by ZHONGLEI (HK) CPA Company Limited.

ZHONGLEI (HK) CPA Company Limited will retire at the conclusion of the AGM and being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of ZHONGLEI (HK) CPA Company Limited as the auditors of the Company will be proposed at the AGM.

On behalf of the Board

Ma Xuemian
Chairman

Hong Kong, 26 March 2013

中磊（香港）會計師事務所有限公司
ZHONGLEI (HK) CPA Company Limited

TO THE SHAREHOLDERS OF
GRAND FIELD GROUP HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 132, which comprise the consolidated and the Company's statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Except as described in the Basis for Qualified Opinion paragraph, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

BASIS FOR QUALIFIED OPINION

a. Limitation of scope affecting opening balances and corresponding figures

The auditor's opinion on the consolidated financial statements of the Group for the year ended 31 December 2011 (the "2011 Consolidated Financial Statements"), which form the basis for the corresponding figures presented in the current year's consolidated financial statements, was qualified by the preceding auditor because of the significance of the possible effect of the limitations on the scope to carry out audit procedures to satisfy themselves as to whether the income, expenses, assets, liabilities and related disclosures relating to a subsidiary of the Group, Yuan Cheng Real Estate (Shenzhen) Limited ("Yuan Cheng") which have been included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the 2011 Consolidated Financial Statements. Details of the qualified opinion was set out in the independent auditor's report dated 19 April 2012 issued by the preceding auditor and included in the 2011 Consolidated Financial Statements.

We were not able to obtain sufficient reliable evidence to enable us to assess the scope limitations for the year ended 31 December 2011. Any adjustments found to be necessary to the opening balances as at 1 January 2012 may affect the results, cash flows and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2012. The comparative figures for the year ended 31 December 2011 shown in these consolidated financial statements may not be comparable with the figures for the current year.

b. Gain on disposal of subsidiaries

As details in Note 31(a) to the consolidated financial statements, the Group has disposed of its entire equity interest in Yuan Cheng to an independent third party during the year ended 31 December 2012. Accordingly, the Group has recorded a gain on disposal of Yuan Cheng of approximately HK$5,117,000 for the year ended 31 December 2012. Due to the scope limitation as described above in respect of Yuan Cheng, we were unable to satisfy ourselves as to the accuracy of the carrying value of the net liabilities of Yuan Cheng as at the date of the disposal included in the calculation of the gain on disposal of Yuan Cheng during the year ended 31 December 2012 and as to whether the amount of gain on disposal of subsidiaries has been accurately recorded in the consolidated income statement due to the impact on the scope limitation in Yuan Cheng. Any adjustments to the figure would have a consequential effect on the loss of the Group for the year ended 31 December 2012.

QUALIFIED OPINION ARISING FROM LIMITATION OF SCOPE

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without further qualifying our opinion, we draw attention to the following matters:

(a) We have considered the adequacy of the disclosures made in Note 34(i) to the consolidated financial statements concerning the possible outcome of various legal proceedings initiated by a former director and shareholder of the Company, Mr. Tsang Wai Lun, Wayland, against eight of the then directors, alleging that the then directors had breached their fiduciary duties in relation to various transactions entered into by the Group. In the opinion of the Directors, the defendant directors have resigned and the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

(b) Regarding the Action as mentioned in Note 34(ii) to the consolidated financial statements, the Company has received a legal letter from the lawyer of Tsang, in relation to the indemnity claim from the legal costs incurred or owed for the opposite relevant parties in the Action. As no judgment of the Action has been pronounced or handled down by the High Court up to the date of this report, the potential indemnity claim from Tsang has not been applied to and allowed by the Court. Because the possibility of the claim is remote until the Court's order is finalised, the Directors consider that the Company should not make any provision of the reimbursement.

(c) As mentioned in Note 2 to the consolidated financial statements, the Group had incurred loss of approximately HK$20,794,000 for the year ended 31 December 2012. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the appropriateness of which is dependent on the Group's ability to generate sufficient working capital to meet its financial requirements. The consolidated financial statements do not include any adjustments that may be necessary should the Group fail to finance its future working capital and financial requirements. We consider that adequate disclosures have been made.

ZHONGLEI (HK) CPA Company Limited
Certified Public Accountants (Practising)
Lam Chik Tong
Practising Certificate Number: P05612

Suites 313-317, 3/F., Shui On Centre,
6-8 Harbour Road,
Wan Chai,
Hong Kong

26 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (restated)
Revenue	7	**12,106**	5,618
Cost of revenue		**(6,976)**	(2,524)
Gross profit		**5,130**	3,094
Other revenue	7	**306**	52
Other gains and losses	7	**11,252**	14,081
Distribution costs		**(445)**	(549)
Administrative expenses		**(31,446)**	(22,157)
Loss from operations		**(15,203)**	(5,479)
Finance costs	8(c)	**(5,401)**	(2,132)
Loss before tax		**(20,604)**	(7,611)
Income tax expense	9	**(190)**	(3,952)
Loss for the year	8	**(20,794)**	(11,563)
Loss for the year attributable to:			
Owners of the Company		**(18,059)**	(11,563)
Non-controlling interests		**(2,735)**	–
		(20,794)	(11,563)
Loss per share	12		(restated)
Basic		**(0.72 cent)**	(0.46 cent)
Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012	2011
	HK$'000	HK$'000
		(restated)
Loss for the year	**(20,794)**	(11,563)
Other comprehensive income		
Exchange differences arising on translating of foreign operations	**956**	13,939
Total comprehensive (expense) income for the year	**(19,838)**	2,376
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(17,277)**	2,376
Non-controlling interests	**(2,561)**	–
	(19,838)	2,376

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	**31 December 2012 HK$'000**	31 December 2011 HK$'000 (restated)	1 January 2011 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**1,457**	401	1,566
Investment properties	15	**46,200**	70,080	60,736
Prepaid premium for land leases	16	**168,180**	181,974	178,187
Properties under development	17	**13,463**	13,463	12,762
Deposit paid for investment in a subsidiary	19	**–**	829	–
Loan receivables due after one year	20	**–**	165	679
Goodwill	21	**–**	–	–
Restricted cash	25	**123**	123	116
		229,423	267,035	254,046
CURRENT ASSETS				
Completed properties held for sale	22	**41,632**	8,793	10,401
Loan receivables	20	**121**	413	771
Other receivables, deposits and prepayments	23	**6,081**	1,554	2,899
Amount due from a director	24	**2,227**	930	1,221
Tax recoverable		**253**	438	–
Cash and cash equivalents	25	**13,335**	1,415	1,537
		63,649	13,543	16,829
CURRENT LIABILITIES				
Trade and other payables	26	**24,179**	19,395	22,950
Interest-bearing borrowings	27	**25,543**	7,134	1,168
Obligation under finance lease due within one year	32	**154**	–	–
Amounts due to directors	24	**3,074**	2,020	1,819
Amount due to a related party	24	**124**	90	–
Tax payable		**142**	956	–
Dividend payable		**42**	42	42
		53,258	29,637	25,979
NET CURRENT ASSETS (LIABILITIES)		**10,391**	(16,094)	(9,150)
TOTAL ASSETS LESS CURRENT LIABILITIES		**239,814**	250,941	244,896

Consolidated Statement of Financial Position

At 31 December 2012

	Notes	**31 December 2012 HK$'000**	31 December 2011 HK$'000 (restated)	1 January 2011 HK$'000 (restated)
NON-CURRENT LIABILITIES				
Deferred tax liabilities	29	**3,999**	3,979	310
Obligation under finance lease due after one year	32	**571**	–	–
		4,570	3,979	310
NET ASSETS		**235,244**	246,962	244,586
CAPITAL AND RESERVES				
Share capital	30	**50,336**	50,336	50,336
Reserves		**174,567**	196,626	194,250
Equity attributable to owners of the Company		**224,903**	246,962	244,586
Non-controlling interests		**10,341**	–	–
TOTAL EQUITY		**235,244**	246,962	244,586

The consolidated financial statements on pages 35 to 132 were approved and authorised for issue by the board of directors on 26 March 2013 and are signed on its behalf by:

Ma Xuemian
Director

Kwok Siu Wa, Alison
Director

Statement of Financial Position

At 31 December 2012

	Notes	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)	1 January 2011 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**–**	2	9
Investments in subsidiaries	18	**159,056**	159,056	159,056
		159,056	159,058	159,065
CURRENT ASSETS				
Other receivables, deposits and prepayments	23	**379**	303	1,141
Amounts due from subsidiaries	18	**83,003**	66,603	67,716
Cash and cash equivalents	25	**181**	157	298
		83,563	67,063	69,155
CURRENT LIABILITIES				
Other payables	26	**3,954**	5,009	5,412
Interest-bearing borrowings	27	**25,543**	–	–
Amounts due to directors	24	**3,074**	2,020	1,819
Amount due to a related party	24	**124**	90	–
Amounts due to subsidiaries	18	**9,359**	28,453	22,989
Dividend payable		**42**	42	42
		42,096	35,614	30,262
NET CURRENT ASSETS		**41,467**	31,449	38,893
NET ASSETS		**200,523**	190,507	197,958
CAPITAL AND RESERVES				
Share capital	30	**50,336**	50,336	50,336
Reserves	37	**150,187**	140,171	147,622
TOTAL EQUITY		**200,523**	190,507	197,958

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company								
	Share capital HK$'000 (Note 30)	**Share premium** HK$'000 (Note 37(a)(i))	**Share option reserve** HK$'000 (Note 28)	**Special reserve** HK$'000 (Note i)	**Exchange reserve** HK$'000 (Note ii)	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2011, as originally stated	50,336	261,949	5,400	(2,215)	76,522	(128,696)	263,296	–	263,296
Prior year adjustments (Note 3)	–	–	–	–	(2,948)	(15,762)	(18,710)	–	(18,710)
At 1 January 2011, as restated	50,336	261,949	5,400	(2,215)	73,574	(144,458)	244,586	–	244,586
Loss for the year (restated)	–	–	–	–	–	(11,563)	(11,563)	–	(11,563)
Other comprehensive income for the year (restated)	–	–	–	–	13,939	–	13,939	–	13,939
Total comprehensive income (expense) for the year (restated)	–	–	–	–	13,939	(11,563)	2,376	–	2,376
Transfer upon lapse of share options	–	–	(5,400)	–	–	5,400	–	–	–
At 31 December 2011 (restated)	50,336	261,949	–	(2,215)	87,513	(150,621)	246,962	–	246,962
At 1 January 2012, as originally stated	50,336	261,949	–	(2,215)	91,498	(136,280)	265,288	–	265,288
Prior year adjustments (Note 3)	–	–	–	–	(3,985)	(14,341)	(18,326)	–	(18,326)
At 1 January 2012, as restated	50,336	261,949	–	(2,215)	87,513	(150,621)	246,962	–	246,962
Loss for the year	–	–	–	–	–	(18,059)	(18,059)	(2,735)	(20,794)
Other comprehensive income for the year	–	–	–	–	782	–	782	174	956
Total comprehensive income (expense) for the year	–	–	–	–	782	(18,059)	(17,277)	(2,561)	(19,838)
Capital injection from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	12,902	12,902
Release of exchange reserve upon disposal of subsidiaries	–	–	–	–	(4,782)	–	(4,782)	–	(4,782)
At 31 December 2012	**50,336**	**261,949**	**–**	**(2,215)**	**83,513**	**(168,680)**	**224,903**	**10,341**	**235,244**

Notes:

(i) Special reserve

Special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal value of the Company's shares issued as part of the Group reorganisation in 1999 for the listing of the Company's shares on the Stock Exchange.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in Note 5 to the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000 (restated)
OPERATING ACTIVITIES		
Loss before tax	**(20,604)**	(7,611)
Adjustments for:		
Amortisation of prepaid premium for land leases	**6,022**	6,005
Depreciation	**233**	326
Fair value gain on investment properties	**(2,313)**	(6,513)
Net gain on disposal of property, plant and equipment	**(1)**	(2,183)
Net gain on disposal of investment properties	**–**	(1,254)
Gain on disposal of subsidiaries	**(5,966)**	–
Interest income	**(248)**	(11)
Interest expenses	**5,401**	2,132
Reversal of impairment loss on loan receivables	**(2,776)**	(2,246)
Reversal of impairment loss on other receivables, deposits and prepayments	**(515)**	(2,086)
Impairment loss on completed properties held for sale	**319**	201
Written-off of property, plant and equipment	**–**	445
Impairment of other receivables, deposits and prepayments	**565**	542
Operating cash flows before movements in working capital	**(19,883)**	(12,253)
Decrease in completed properties held for sale	**5,451**	1,979
Decrease in loan receivables	**1,202**	3,198
(Increase) decrease in other receivables, deposits and prepayments	**(4,576)**	3,052
Increase in amount due from a director	**(1,297)**	–
Increase (decrease) in trade and other payables	**3,049**	(3,405)
Increase in amounts due to directors	**1,054**	201
Increase in amount due to a related party	**34**	90
Decrease in deposits received on properties held for sale	**–**	(156)
Cash used in operations	**(14,966)**	(7,294)
Interest received	**248**	11
Tax paid – PRC tax	**(814)**	(321)
NET CASH USED IN OPERATING ACTIVITIES	**(15,532)**	(7,604)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000 (restated)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(1,286)**	(228)
Proceeds from disposal of property, plant and equipment	**1**	2,888
Proceeds from disposal of investment properties	**–**	1,804
Increase in deposit paid for investment in a subsidiary	**–**	(829)
Capital injection of a subsidiary	**829**	–
Capital injection from non-controlling interest of a subsidiary	**12,902**	–
Net cash inflow from disposal of subsidiaries	**639**	–
NET CASH FROM INVESTING ACTIVITIES	**13,085**	3,635
FINANCING ACTIVITIES		
Interest paid	**(5,401)**	(2,132)
New interest-bearing borrowings raised	**25,543**	7,134
Repayment of interest-bearing borrowings	**(7,134)**	(1,168)
Inception of obligation under finance lease	**823**	–
Repayment of obligation under a finance lease	**(98)**	–
NET CASH FROM FINANCING ACTIVITIES	**13,733**	3,834
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**11,286**	(135)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**1,415**	1,537
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**634**	13
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**13,335**	1,415

1. GENERAL INFORMATION

Grand Field Group Holdings Limited (the "Company") is a company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at Unit 1004B, 10th Floor, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are investment holding, property development, property investment and property management. Details of the principal activities of its subsidiaries are set out in Note 18 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Group are HK$. The reason for selecting HK$ as its presentation currency is that the Company is a public company listed on the Main Board of the Stock Exchange, where most of the investors are located in Hong Kong.

2. BASIS OF PREPARATION

The Group had incurred loss of approximately HK$20,794,000 for the year ended 31 December 2012. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, these consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to generate sufficient working capital and the Group could obtain loan financing from financial institute and seek prospective investors, at a level sufficient to finance the working capital requirements of the Group. The Directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. PRIOR YEAR ADJUSTMENTS

Buildings and prepaid premium for land leases

An error in the consolidated financial statements was identified by the Directors subsequent to the issue of the consolidated financial statements for the year ended 31 December 2011. The adjustment represented correction of error in relation to the written off of buildings and prepaid premium for land leases against the accumulated losses.

At 1 January 2011 and 31 December 2011, there were buildings with carrying value as at that dates of approximately HK$17,452,000 and HK$16,998,000, respectively, and prepaid premium for land leases with carrying values as at that dates of approximately HK$1,258,000 and HK$1,328,000, respectively, represented of car parking spaces located in Telford Garden Phase I & II, Huanchengxi Road, Buji Town, Longgang District, Shenzhen, Guangdong Province, the PRC (the "Car Park"). The Directors considered that by the reason of lack of title documents upon the completion previously, the Car Park could not be sold or lease out for rental income. According to Hong Kong Accounting Standard 16 *Property, Plant and Equipment*, the Car Park should be derecognised when no future economic benefits are expected to arise from the continued use of the Car Park. Accordingly, the Directors considered that the Car Park should be fully impaired instead of providing depreciation and amortisation on a straight-line basis over the lease term and the unexpired period of the land leases, respectively.

The Directors made retrospective restatements ("Restatements") in relation to the Group's property, plant and equipment and prepaid premium for land leases. As such, the financial information have been restated. The effects of the Restatements by line items are as follows:

At 1 January 2011

	Originally stated	Adjustments	After prior year adjustments stated
	HK$'000	HK$'000	HK$'000
Assets			
Property, plant and equipment	19,018	(17,452)	1,566
Prepaid premium for land leases	179,445	(1,258)	178,187
Total effect on assets	198,463	(18,710)	179,753
Capital and reserves			
Exchange reserve	(76,522)	2,948	(73,574)
Accumulated losses	128,696	15,762	144,458
Total effect on equity	52,174	18,710	70,884

3. PRIOR YEAR ADJUSTMENTS *(Continued)*

Buildings and prepaid premium for land leases *(Continued)*

For the year ended 31 December 2011

	Originally stated HK$'000	Adjustments HK$'000	After prior year adjustments stated HK$'000
Administrative expenses	(23,578)	1,421	(22,157)
Total effect on loss for the year	(23,578)	1,421	(22,157)
Total effect on loss for the year attributable to:			
Owners of the Company	(12,984)	1,421	(11,563)
Loss per share			
Basic	(0.52 cent)		(0.46 cent)

At 31 December 2011

	Originally stated HK$'000	Adjustments HK$'000	After prior year adjustments stated HK$'000
Assets			
Property, plant and equipment	17,399	(16,998)	401
Prepaid premium for land leases	183,302	(1,328)	181,974
Total effect on assets	200,701	(18,326)	182,375
Capital and reserves			
Exchange reserve	(91,498)	3,985	(87,513)
Accumulated losses	136,280	14,341	150,621
Total effect on equity	44,782	18,326	63,108

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs")

In the current year, the Group has applied the following new and revised HKFRSs and HKASs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

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

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

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

The Group measures its investment property using the fair value model. As a result of the application of the amendments to HKAS 12, the Directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are located in PRC and would be subject to PRC property taxes when sale incurred. Accordingly, the application of the amendments to HKAS 12 has no impact to the consolidated financial statements of the Group.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(Continued)*

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

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

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

* *IFRIC represents the International Financial Reporting Interpretations Committee*

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(Continued)*

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

The *Annual Improvements to HKFRSs 2009 – 2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 *Property, Plant and Equipment* and the amendments to HKAS 32 *Financial Instruments: Presentation*.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The Directors anticipate that the application of the amendments will have no material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 *Income Taxes*. The Directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The Directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(Continued)*

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015 with earlier application permitted. The Directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(Continued)*

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

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

Key requirements of these five standards are described below.

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

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

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

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(Continued)*

New and revised Standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The Directors anticipate that the application of these five standards would not have significant impact on amounts reported in the consolidated financial statements.

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

– obtain funds from one or more investors for the purpose of providing them with professional investment management services;

– commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

– measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Directors anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND HONG KONG ACCOUNTING STANDARDS ("HKASs") *(Continued)*

HKFRS 13 Fair Value Measurement

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

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income* introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

5. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated losses as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- Assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognsied immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination *(Continued)*

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognsied in profit or loss.

When the business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquriee prior to the acquisition date that have previously been recognsied in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognsied, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have reflected the amounts recognised at that date.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

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

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

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

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are included in the Company's statement of financial position at cost less identified accumulated impairment loss. Income from investments in subsidiaries is accounted for on the basis of dividends received and receivable.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided, in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(i) Sale of properties

Revenue from sale of completed properties held for sale in the ordinary course of business is recognised when the respective properties have been delivered to the buyers. Payments received from the buyers prior to this stage are recorded as pre-sale deposits and present as current liabilities.

(ii) Rental income from operating leases

Rental income, including rentals invoices in advance from properties under operating leases, is recognised on a straight-line basis over the term of the lease.

(iii) Interest income

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Employee benefits costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefits schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

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

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

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

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

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of asset within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including restricted cash, loan receivables, other receivables and deposits, amount due from a director, amounts due from subsidiaries and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified accumulated impairment losses (see accounting policy on impairment loss of financial assets below).

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

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

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

For financial asset carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Other financial liabilities

Other financial liabilities (including trade and other payables, interest-bearing borrowings, obligation under finance lease, amount(s) due to directors/subsidiaries/a related party and dividend payable) are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expired, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition *(Continued)*

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some of all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Bank balances and cash in the statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Properties under development for sale

Properties under development, which are intended to be held for sale, are measured at the lower of cost and net realisable value. Cost includes costs of land, development expenditure incurred, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to such properties. These assets are recorded as current assets as they are expected to be realised in, or are intended for sale within the Group's normal operating policy. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing and selling. Upon completion, the assets are recorded as completed properties held for sale.

Impairment losses on tangible and intangible assets other than goodwill

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets other than goodwill *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Taxation

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

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

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

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Related parties

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

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 5, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

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

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 December 2012 at their fair value of approximately HK$46,200,000 (2011: HK$70,080,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

Determination of net realisable value of properties under development and completed properties held for sale

The Company assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses.

Land Appreciation Taxes

The Group is subject to Land Appreciation Taxes in the PRC. However, the implementation and settlement of these taxes varies among the various tax jurisdictions in cities and regions of the PRC, and the Group has not finalised its Land Appreciation Tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. The Group recognised these Land Appreciation Taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provisions in the periods in which such taxes have been finalised with local tax authorities.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine that amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Critical judgments in applying the Group's accounting policies

The following are the critical judgments, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern and liquidity

As explained in Note 2, the consolidated statement of financial position of the Group indicates the existence of a material uncertainty which may raise significant doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has ability to continue as a going concern and the major conditions that may cast significant doubt about the going concern assumptions are set out in Note 2.

Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by the management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas the properties are accounted for as assets under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at each end of reporting period.

7. REVENUE, OTHER REVENUE AND OTHER GAINS AND LOSSES

The principal activities of the Group are property development, property management and property investment.

Turnover represents the aggregate of net amounts received and receivable for completed properties held for sale sold by the Group to outside customers, property rental income and property management services rendered for the years ended, and is analysed as follows:

	2012	2011
	HK$'000	HK$'000
Revenue		
Sales of properties held for sale	**9,036**	3,855
Property rental	**3,070**	1,763
Property management services	**–**	–
	12,106	5,618
Other revenue		
Interest income on bank deposits	**248**	11
Finance charge from loan receivables	**53**	24
Sundry income	**5**	17
	306	52
Other gains and losses		
Gain on disposal of subsidiaries	**5,966**	–
Fair value gain on investment properties	**2,313**	6,513
Net gain on disposal of investment properties	**–**	1,254
Net gain on disposal of property, plant and equipment	**1**	2,183
Reversal of impairment loss on loan receivables	**2,776**	2,246
Reversal of impairment loss on other receivables, deposits and prepayments	**515**	2,086
Impairment loss on completed properties held for sale	**(319)**	(201)
	11,252	14,081
Total revenue, other revenue and other gains and losses	**23,664**	19,751

8. LOSS FOR THE YEAR

Loss for the year is arrived at after charging (crediting):

		2012 HK$'000	2011 HK$'000 (restated)
(a)	Staff costs (including Directors' and chief executives' emoluments):		
	Salaries, wages and other benefits	**4,762**	5,291
	Contributions to defined contribution retirement plans	**100**	58
		4,862	5,349
(b)	Other items:		
	Amortisation of prepaid premium for land leases	**6,022**	6,005
	Depreciation	**233**	326
	Total depreciation and amortisation	**6,255**	6,331
	Gross rental income from investment properties	**(3,070)**	(1,763)
	Less: direct operating expenses incurred for investment properties that generated rental income during the year	**265**	114
		(2,805)	(1,649)
	Auditor's remuneration:		
	– Audit services	**587**	492
	– Other services	**359**	212
		946	704
	Cost of completed properties sold	**5,451**	2,495
	Net foreign exchange losses	**716**	70
	Rental charges under operating leases for office premises	**878**	881
	Written-down of property, plant and equipment	**–**	445
	Impairment loss on other receivables, deposits and prepayments	**565**	542
(c)	Finance costs:		
	Interest on interest-bearing borrowings – wholly repayable within five years	**5,376**	2,132
	Interest on finance lease	**25**	–
		5,401	2,132

No finance costs have been capitalised during the two financial years.

9. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000 (restated)
Current tax		
Enterprise Income Tax in the PRC	–	–
Land Appreciation Tax in the PRC	190	300
Deferred tax		
Origination and reversal of temporary differences (Note 29)	–	3,652
	190	3,952

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

Under a notice issued on 6 September 2010 by Local Tax Bureau of Longgang District, Shenzhen, PRC Land Appreciation Tax for a subsidiary incorporated in Shenzhen, the PRC, in which property development projects in Shenzhen, is calculated at rates ranging from 5% to 10% (2011: 5% to 10%) of the sales revenue on the respective property development projects.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's income neither arises, nor is derived, from Hong Kong in both financial years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

9. INCOME TAX EXPENSE *(Continued)*

	2012 HK$'000	2011 HK$'000 (restated)
Loss before tax	**(20,604)**	(7,611)
Notional tax credit on loss before income tax, calculated at the rates applicable to profits in the countries concerned	**(4,012)**	(1,042)
Effect of different tax calculation basis for the PRC property development projects operated by the Hong Kong subsidiaries	**77**	579
Tax effect on non-deductible expenses	**7,861**	8,875
Tax effect on non-taxable income	**(4,363)**	(6,404)
Tax effect on tax losses not recognised	**437**	1,644
Land Appreciation Tax	**190**	300
Income tax expense for the year	**190**	3,952

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

(a) Directors' and chief executives' emoluments

The emoluments paid or payable to each of the 9 (2011: 12) directors were as follows:

	2012			
	Directors' fees HK$'000	Basic salaries and other benefits HK$'000	Contributions to defined contribution retirement plans HK$'000	Total HK$'000
Executive directors				
Mr. Ma Xuemian *(Chairman)*	600	–	–	600
Ms. Chow Kwai Wa, Anne	60	390	14	464
Ms. Kwok Siu Wa, Alison	60	390	14	464
Mr. Kwok Siu Bun (Note (iii))	420	–	14	434
Independent non-executive directors				
Mr. Chow Chi-ping, David	180	–	–	180
Mr. Liu Chaodong	120	–	–	120
Ms. Chui Wai Hung	120	–	–	120
Non-executive directors				
Mr. Lim Francis	300	–	–	300
Mr. Chen Mudong (Note (ii))	180	–	–	180
	2,040	780	42	2,862

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

(a) Directors' and chief executives' emoluments *(Continued)*

	2011			
	Directors' fees HK$'000	Basic salaries and other benefits HK$'000	Contributions to defined contribution retirement plans HK$'000	Total HK$'000
Executive directors				
Mr. Ma Xuemian	600	–	–	600
Mr. Wong King Lam, Joseph (Note (i))	375	–	8	383
Ms. Chow Kwai Wa, Anne	60	390	12	462
Ms. Kwok Siu Wa, Alison	60	390	12	462
Mr. Chen Mudong (Note (ii))	182	–	–	182
Mr. Kwok Siu Bun (Note (iii))	140	–	5	145
Independent non-executive directors				
Mr. Chow Chi-ping, David	180	–	–	180
Mr. Liu Chaodong	120	–	–	120
Ms. Chui Wai Hung	120	–	–	120
Non-executive directors				
Mr. Lim Francis	300	–	–	300
Mr. Chen Mudong (Note (ii))	129	–	–	129
Mr. Kwok Siu Bun (Note (iii))	120	–	–	120
	2,386	780	37	3,203

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS *(Continued)*

(a) Directors' and chief executives' emoluments *(Continued)*

Notes:

(i) Mr. Wong King Lam, Joseph resigned on 15 August 2011.

(ii) Mr. Chen Mudong was re-designated from executive director to non-executive director on 15 April 2011.

(iii) Mr. Kwok Siu Bun was re-designated from non-executive director to executive director on 15 August 2011.

There was no chief executive appointed in the Group for both years.

There was no arrangement under which a director and chief executive waived or agreed to waive any remuneration in respect of the years ended 31 December 2012 and 2011.

During the years ended 31 December 2012 and 2011, no emolument was paid by the Group to the directors and chief executives as an inducement to join or upon joining the Group, or as compensation for loss of office.

(b) Five highest paid individuals

The five highest paid individuals of the Group included five (2011: five) directors whose emoluments are included in the disclosures in Note 10(a) to the consolidated financial statements above.

11. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$18,059,000 (2011: HK$11,563,000 (restated)) and on the weighted average number of approximately 2,516,810,000 (2011: 2,516,810,000) ordinary shares in issue during the year.

The calculation of diluted loss per share is not presented for the year ended 31 December 2012 as there was no dilutive potential ordinary share.

The calculation of diluted loss per share is not presented for the year ended 31 December 2011 as the assumed exercise of diluting events has an anti-dilutive effect.

13. SEGMENT REPORTING

Information reported to the executive directors and senior management, being the chief operating decision maker, the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reporting segments of the Group. Specifically, the Group's reportable operating segments under HKFRS 8 are: (i) property development, (ii) property investment and (iii) property management.

(a) Segment revenue and results

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

	Property development		Property investment		Property management		Total	
	2012 HK$'000	2011 HK$'000 (restated)	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000 (restated)
Revenue								
External sales	**9,036**	3,855	**3,070**	1,763	**–**	–	**12,106**	5,618
Segment result	**(11,834)**	4,149	**5,383**	(1,101)	**–**	–	**(6,451)**	3,048
Interest income on bank deposits							**248**	11
Unallocated income and gains, net							**6,482**	9,771
Unallocated expenses							**(15,482)**	(18,309)
Loss from operations							**(15,203)**	(5,479)
Finance costs							**(5,401)**	(2,132)
Loss before tax							**(20,604)**	(7,611)
Income tax expense							**(190)**	(3,952)
Loss for the year							**(20,794)**	(11,563)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 5 to the consolidated financial statements. Segment result represents the (loss from) profit earned from each segment without allocation of certain items, mainly comprising interest income on bank deposits, gain on disposal of subsidiaries, reversal of impairment loss on other receivables, deposits and prepayments, gain on disposal of property, plant and equipment, impairment loss on other receivables, deposits and prepayments, depreciation, central administration costs, directors' and chief executives' salaries and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

13. SEGMENT REPORTING *(Continued)*

(b) Segment assets and liabilities

	Property development		Property investment		Property management		Total	
	2012 HK$'000	2011 HK$'000 (restated)	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000 (restated)
Segment assets	**223,519**	204,808	**46,200**	70,080	**–**	–	**269,719**	274,888
Unallocated assets							**23,353**	5,690
Total assets							**293,072**	280,578
Segment liabilities	**(9,580)**	(7,886)	**(4,421)**	(4,748)	**–**	–	**(14,001)**	(12,634)
Unallocated liabilities							**(43,827)**	(20,982)
Total liabilities							**(57,828)**	(33,616)

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

- all assets are allocated to operating segments other than unallocated assets (mainly comprising property, plant and equipment, deposit paid for investment in a subsidiary, other receivables, deposits and prepayments, amount due from a director and cash and cash equivalents); and

- all liabilities are allocated to operating segments other than unallocated liabilities (mainly comprising certain other payables, interest-bearing borrowings, obligation under finance lease, amount(s) due to directors/a related party and dividend payable).

13. SEGMENT REPORTING *(Continued)*

(c) Other segment information

	Property development		Property investment		Property management		Unallocated		Total	
	2012 HK$'000	2011 HK$'000 (restated)	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000 (restated)
Amounts included in the measure of segment profit or loss or segment assets:										
Depreciation	**–**	–	**–**	–	**–**	–	**233**	326	**233**	326
Amortisation of prepaid premium for land leases	**6,022**	6,005	**–**	–	**–**	–	**–**	–	**6,022**	6,005
Gain on disposal of subsidiaries	**–**	–	**–**	–	**–**	–	**(5,966)**	–	**(5,966)**	–
Reversal of impairment loss on loan receivables	**(2,776)**	(2,246)	**–**	–	**–**	–	**–**	–	**(2,776)**	(2,246)
Reversal of impairment loss on other receivables, deposits and prepayments	**–**	–	**–**	–	**–**	–	**(515)**	(2,086)	**(515)**	(2,086)
Fair value gain on investment properties	**–**	–	**(2,313)**	(6,513)	**–**	–	**–**	–	**(2,313)**	(6,513)
Net gain on disposal of investment properties	**–**	–	**–**	(1,254)	**–**	–	**–**	–	**–**	(1,254)
Net gain on disposal of property, plant and equipment	**–**	–	**–**	–	**–**	–	**(1)**	(2,183)	**(1)**	(2,183)
Impairment loss on other receivables, deposits and prepayments	**–**	–	**–**	–	**–**	–	**565**	542	**565**	542
Impairment loss on completed properties held for sale	**319**	201	**–**	–	**–**	–	**–**	–	**319**	201
Written-down of property, plant and equipment	**–**	–	**–**	–	**–**	–	**–**	445	**–**	445
Capital expenditure	**–**	–	**–**	–	**–**	–	**1,286**	228	**1,286**	228

(d) Geographic information

Since the Group principally operates in the PRC with revenue and results derived mainly from its operations in the PRC, no geographical information is used by the chief operating decision maker for further evaluated.

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2012 HK$'000	2011 HK$'000
Customer A[1]	**1,920**	N/A[2]

[1] Revenue from sale of completed properties held for sale

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000 (restated)	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2011, as originally stated	29,568	3,620	336	2,664	36,188
Prior year adjustments (Note 3)	(28,822)	–	–	–	(28,822)
At 1 January 2011, as restated	746	3,620	336	2,664	7,366
Additions	–	69	159	–	228
Written-off	–	(8)	–	(857)	(865)
Disposals	(636)	(1,790)	–	(458)	(2,884)
Exchange differences	41	120	17	80	258
At 31 December 2011 (restated)	151	2,011	512	1,429	4,103
At 1 January 2012, as originally stated	30,450	2,011	512	1,429	34,402
Prior year adjustments (Note 3)	(30,299)	–	–	–	(30,299)
At 31 December 2011, as restated	151	2,011	512	1,429	4,103
Additions	–	56	–	1,230	1,286
Disposal of subsidiaries	–	–	–	(461)	(461)
Written-off	–	–	(26)	–	(26)
Exchange differences	1	4	2	2	9
At 31 December 2012	**152**	**2,071**	**488**	**2,200**	**4,911**
Accumulated depreciation					
At 1 January 2011, as originally stated	11,402	3,403	328	2,037	17,170
Prior year adjustments (Note 3)	(11,370)	–	–	–	(11,370)
At 1 January 2011, as restated	32	3,403	328	2,037	5,800
Provided for the year	39	61	32	194	326
Eliminated on written-off	–	(8)	–	(412)	(420)
Eliminated on disposals	(48)	(1,696)	–	(435)	(2,179)
Exchange differences	2	111	17	45	175
At 31 December 2011 (restated)	25	1,871	377	1,429	3,702
At 1 January 2012, as originally stated	13,326	1,871	377	1,429	17,003
Prior year adjustments (Note 3)	(13,301)	–	–	–	(13,301)
At 31 December 2011, as restated	25	1,871	377	1,429	3,702
Provided for the year	7	54	53	119	233
Eliminated on disposal of subsidiaries	–	–	–	(461)	(461)
Eliminated on written-off	–	–	(26)	–	(26)
Exchange differences	1	2	2	1	6
At 31 December 2012	**33**	**1,927**	**406**	**1,088**	**3,454**
Carrying values					
At 31 December 2012	**119**	**144**	**82**	**1,112**	**1,457**
At 31 December 2011 (restated)	126	140	135	–	401
At 1 January 2011 (restated)	714	217	8	627	1,566

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

Buildings	2.5% or over the lease term, whichever is shorter
Furniture, fixtures and office equipment	20%
Leasehold improvements	20% – 33.3%
Motor vehicles	20%

The carrying value of the buildings, all being held on long term leases, comprises:

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)	1 January 2011 HK$'000 (restated)
Other facilities built in the construction projects situated in the PRC	**119**	126	714

The carrying value of motor vehicles of HK$1,112,000 (31 December 2011: Nil) includes an amount of HK$768,000 (31 December 2011: Nil) in respect of assets held under finance lease.

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Furniture, Fixtures and office equipment HK$'000	Leasehold improvement HK$'000	Total HK$'000
Cost			
At 1 January 2011, 31 December 2011 and 1 January 2012	4	26	30
Written-off	–	(26)	(26)
At 31 December 2012	4	–	4
Accumulated depreciation			
At 1 January 2011	1	20	21
Provided for the year	1	6	7
At 31 December 2011	2	26	28
Provided for the year	2	–	2
Written-off	–	(26)	(26)
At 31 December 2012	4	–	4
Carrying values			
At 31 December 2012	–	–	–
At 31 December 2011	2	–	2

15. INVESTMENT PROPERTIES

	The Group	
	2012	2011
	HK$'000	HK$'000
Fair value		
At 1 January	**70,080**	60,736
Exchange differences	**225**	3,381
Disposals	**–**	(550)
Fair value gain on investment properties	**2,313**	6,513
Transfer to completed properties held for sale (Note 22)	**(26,418)**	–
At 31 December	**46,200**	70,080

The fair value of the Group's investment properties ("Properties") at 31 December 2012 and 2011 has been arrived at on the basis of a valuation carried out on that date by Messrs. BMI Appraisals Limited, an independent qualified professional valuers not connected with the Group. BMI Appraisals Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's Properties have been valued by using comparison approach, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties.

The Group's interests in investment properties are held under the following lease term:

	2012	2011
	HK$'000	HK$'000
Long term leases in PRC	**46,200**	70,080

16. PREPAID PREMIUM FOR LAND LEASES

The Group

	Leasehold land in PRC HK$'000 (restated)
Cost	
At 1 January 2011, as originally stated	208,006
Prior year adjustments (Note 3)	(1,797)
At 1 January 2011, as restated	206,209
Exchange differences	11,332
At 31 December 2011 (restated)	217,541
At 1 January 2012, as originally stated	219,437
Prior year adjustments (Note 3)	(1,896)
At 31 December 2011, as restated	217,541
Transfer to completed properties held for sale (Note 22)	(7,846)
Exchange differences	104
At 31 December 2012	**209,799**
Accumulated amortisation and impairment	
At 1 January 2011, as originally stated	28,561
Prior year adjustments (Note 3)	(539)
At 1 January 2011, as restated	28,022
Charge for the year	6,005
Exchange differences	1,540
At 31 December 2011 (restated)	35,567
At 1 January 2012, as originally stated	36,135
Prior year adjustments (Note 3)	(568)
At 31 December 2011, as restated	35,567
Charge for the year	6,022
Exchange differences	30
At 31 December 2012	**41,619**
Carrying values	
At 31 December 2012	**168,180**
At 31 December 2011 (restated)	181,974
At 1 January 2011 (restated)	178,187

16. PREPAID PREMIUM FOR LAND LEASES *(Continued)*

The Group's interests in prepaid premium for land leases are held under the following lease term:

	31 December 2012 HK$'000	31 December 2011 HK$'000 (restated)	1 January 2011 HK$'000 (restated)
Long term lease in PRC	**5,148**	12,929	12,255
Medium term lease in PRC	**163,032**	169,045	165,932
	168,180	181,974	178,187

(a) Leasehold land in the PRC comprises the cost of acquiring rights to use land in the PRC for property development over fixed periods.

(b) Amortisation of prepaid premium for land leases is recognised as an expense on a straight-line basis over the unexpired period of the land leases.

(c) The leasehold land in the PRC held under long term lease of approximately HK$5,148,000 (2011: HK$12,929,000 (restated)) comprises parcels of land in Dongguan. Under the contracts of property development projects entered into between the Group and the co-operative partner, the co-operative partner was responsible for making available the land use rights of the construction sites while the Group was responsible for the construction of these properties. Therefore, the land use right certificates are registered under the name of co-operative partner.

(d) The leasehold land in the PRC held under medium term lease of approximately HK$163,032,000 (2011: HK$169,045,000), represents the Group's 50% interest in a parcel of land in Shenzhen ("Shenzhen Land"). The Group will transfer its interest in the Shenzhen Land to 深圳棕科置業有限公司 as part of capital contribution (Note 35(a)).

17. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2012	2011
	HK$'000	HK$'000
Development and incidental costs	**42,474**	41,626
Less: Accumulated impairment (Note b)	**(29,012)**	(28,864)
Exchange differences	**1**	701
	13,463	13,463

The carrying amounts of properties under development are analysed below:

	2012	2011
	HK$'000	HK$'000
Property development project on its own	**13,463**	13,463

Notes:

(a) The balance represents the costs incurred by the Group on the properties under construction in the PRC.

(b) At 31 December 2012, an accumulated impairment on properties under development of approximately HK$29,012,000 (2011: HK$28,864,000) represented the piling and foundation works for which, in the opinion of the Directors, it was no longer useful for contemporary building development.

18. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

The Company

	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**159,056**	159,056
Amounts due from subsidiaries	**134,539**	118,139
Less: Accumulated impairment	**(51,536)**	(51,536)
	83,003	66,603
Amounts due to subsidiaries	**9,359**	(28,453)

The carrying amount of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the Group reorganisation in 1999.

Amounts due from (to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

18. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

(Continued)

Details of the Group's subsidiaries as at 31 December 2012 are as follows:

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2012	Principal activities
Directly held by the Company:				
Grand Field Group Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Grand Field Group Investments (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
China Max Group Limited	British Virgin Islands/ Hong Kong	US$1	100%	Investment holding
Metro China Investment Limited	British Virgin Islands/ Hong Kong	US$1	100%	Dormant
Indirectly held through subsidiaries:				
Grand Field Group Limited	Hong Kong/ Hong Kong	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	100%	Investment holding and property development
Grand Field Property Development (Shenzhen) Company Limited	PRC/ PRC	HK$18,000,000	100%	Property development and property investment
Ka Fong Industrial Company Limited	Hong Kong/ PRC	Ordinary shares of HK$200 and non-voting deferred shares of HK$200,000	100%	Property development and property investment

18. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2012	Principal activities
Indirectly held through subsidiaries: *(Continued)*				
Shing Fat Hong Limited	Hong Kong/ PRC	Ordinary shares of HK$4 and non-voting deferred shares of HK$2	100%	Property development and property investment
Grand Field New Energy Company Limited*	Hong Kong/ Hong Kong	HK$2	100%	Property holding
China Maxline Limited*	Hong Kong/ Hong Kong	HK$1	100%	Investment holding
深圳棕科置業有限公司 ("深圳棕科") #	PRC/ PRC	RMB21,419,820	50%	Property development

There is one subsidiary of the Company, which were incorporated in Hong Kong was inactive and has been completed the procedure of deregistration during the year ended 31 December 2012. The impact of the deregistration of the subsidiary for the year ended 31 December 2012 is not significant.

* These subsidiaries ceased their businesses on 31 December 2011 and applications filed with the Hong Kong Companies Registry for deregistration of these subsidiaries under section 291AA of the Hong Kong Companies Ordinance during the year ended 31 December 2012. Up to the date of this report, the applications are still in progress.

深圳棕科 became a subsidiary of the Company on 23 July 2012. Details are disclosed in Note 35(a) to the consolidated financial statements.

19. DEPOSIT PAID FOR INVESTMENT IN A SUBSIDIARY

	The Group	
	2012	2011
	HK$'000	HK$'000
Unlisted investment, at cost	**–**	829

At 31 December 2011, the unlisted investment represents the cash capital contribution to 深圳棕科 (Note 35(a)).

20. LOAN RECEIVABLES

	The Group	
	2012	2011
	HK$'000	HK$'000
Carrying value – secured	**3,049**	6,253
Less: Accumulated impairment	**(2,928)**	(5,675)
	121	578
Less: Current portion classified as current assets	**(121)**	(413)
Non-current portion due after one year	**–**	165

Loan receivables represent the interest-free loans provided by the Group to the purchasers of properties, which are repayable by installments as stipulated in the loan agreements. The loans are secured by the related properties. Pursuant to the terms of the sale and purchase agreements, upon default in installment payments by these purchasers, the Group is entitled to take over the legal title and possession of the related properties.

All of the loan receivables are denominated in RMB.

The repayment terms of the loans are negotiated on an individual basis. The Directors consider that the carrying values of loan receivables approximate to their fair values.

20. LOAN RECEIVABLES *(Continued)*

(a) Accumulated impairment on loan receivables

The movement in the accumulated impairment on loan receivables during the year, is as follows;

	2012 **HK$'000**	2011 HK$'000
At 1 January	**5,675**	7,513
Exchange differences	**29**	408
Reversal of impairment loss recognised	**(2,776)**	(2,246)
At 31 December	**2,928**	5,675

Included in the Group's loan receivables balance are debtors with aggregate carrying amount of approximately HK$2,928,000 (2011: HK$5,675,000) which are past due at the end of the reporting period for which the Group has provided for impairment loss.

(b) The maturity profile of these loan receivables, net of impairment loss at the end of reporting period, is analysed by the remaining periods to their contractual maturity dates as follows:

	2012 **HK$'000**	2011 HK$'000
Within one year	**121**	413
In more than one year but not more than two years	**–**	165
	121	578

21. GOODWILL

	The Group
	HK$'000
Cost	
At 1 January 2011, 31 December 2011 and 1 January 2012	997
Eliminated on disposal of subsidiaries	(997)
At 31 December 2012	**–**
Accumulated impairment	
At 1 January 2011, 31 December 2011 and 1 January 2012	997
Eliminated on disposal of subsidiaries	(997)
At 31 December 2012	**–**
Carrying values	
At 31 December 2012	**–**
At 31 December 2011	–

The goodwill arose from the acquisition of Sharp Gain Limited and its wholly-owned subsidiary, 豐盛發貿易(深圳)有限公司 (collectively referred to as "Sharp Gain Group"), in 2008. Since Sharp Gain Group has been disposed on 11 September 2012, the goodwill has been eliminated during the year ended 31 December 2012.

22. COMPLETED PROPERTIES HELD FOR SALE

	The Group	
	2012	2011
	HK$'000	HK$'000
		(restated)
At 1 January	**12,174**	13,986
Transfer from investment properties (Note 15)	**26,418**	–
Transfer from prepaid premium for land leases (Note 16)	**7,846**	–
Sale return for the year	**4,308**	–
Cost of properties sold recognised for the year	**(5,451)**	(2,495)
Consumable goods charged to consolidated income statement	**–**	(18)
Exchange differences	**37**	701
At 31 December	**45,332**	12,174
Less: Accumulated impairment	**(3,700)**	(3,381)
	41,632	8,793

All of the completed properties held for sale are situated in the PRC, are carried at lower of cost and net realisable value and are held on long term leases.

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000
Other receivables	**3,562**	1,003	**–**	–
Deposit for purchase of property (Note b)	**–**	–	**–**	–
Security deposit for property management services (Note c)	**–**	–	**–**	–
Amount receivable on sale of investment properties (Note d)	**–**	–	**–**	–
Other deposits and prepayments	**2,519**	551	**379**	303
	6,081	1,554	**379**	303

All of the other receivables, deposits and prepayments are expected to be recovered or recognised as expenses within one year. The carrying amounts of other receivables, deposits and prepayments approximate their fair values.

Notes:

(a) Currency analysis

The carrying amounts of other receivables, deposits and prepayments are denominated in the following currencies:

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000
HK$	**648**	551	**379**	303
RMB	**5,433**	1,003	**–**	–
	6,081	1,554	**379**	303

23. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

(b) Pursuant to a memorandum entered into with 深圳市寶瀾投資股份有限公司 ("深圳市寶瀾") dated 1 December 2008, the Group's wholly owned subsidiary, Yuan Cheng Real Estate (Shenzhen) Limited ("Yuan Cheng") made a deposit of RMB5,000,000 (equivalent to HK$6,135,000) with 深圳市寶瀾 in connection with a possible property project "華僑新苑" in Shenzhen developed by 深圳市寶瀾. The memorandum sets out a 1-year period, during which Yuan Cheng has an option to purchase the property at a consideration of RMB89,871,700 (equivalent to HK$110,272,000) or to be reimbursed the deposit should Yuan Cheng not proceed with the property purchase. Yuan Cheng has not further proceeded the property purchase.

In the opinion of the Directors, the recoverability of the deposit was uncertain and an allowance of impairment loss was made in previous year. During the year ended 31 December 2012, Yuan Cheng has been disposed of and the balance has been eliminated (Note 31(a)).

(c) On 25 March 2008, Yuan Cheng entered into an agreement with Dongguan City Hua Jia Fu Industry and Trading Limited ("Hua Jia Fu") and Dongguan City Min Tai Industry and Investment Limited ("Dongguan City Min Tai") for provision of property management and consultancy services for a shopping plaza located in Tang Xia Town, Dongguan at an annual fee of RMB1,450,000 for a term of 2 years. Yuan Cheng made a security deposit of RMB8,000,000 (equivalent to HK$9,091,000), which was refundable on expiry of the contract on 31 March 2010.

In the opinion of the Directors, the recoverability of the deposit was uncertain and an allowance of impairment loss was made in previous year. During the year ended 31 December 2012, Yuan Cheng has been disposed of and the balance has been eliminated (Note 31(a)).

(d) In 2009, the Group sold investment properties to a third party for a consideration of RMB8,900,000 (equivalent to HK$10,676,000). At 31 December 2011, RMB1,000,000 (equivalent to HK$1,227,000) of the consideration was unsettled. In the opinion of the Directors, the recoverability of the receivable is uncertain and an allowance of impairment loss has been made for this receivable.

24. AMOUNT(S) DUE FROM (TO) DIRECTOR(S)/A RELATED PARTY

Amount due from a director disclosed pursuant to Section 161B of the Companies Ordinance are as follows:

Name	Terms	2012	2011	Maximum amount outstanding during the year
		HK$'000	HK$'000	HK$'000
Mr. Ma Xuemian (Chairman)	Unsecured, interest free and repayable on demand	**2,227**	930	3,859

At 31 December 2012 and 2011, amount(s) due to directors and a related party are unsecured, interest free and repayable on demand.

25. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**2,937**	1,538	**181**	157
Short-term time deposits	**10,521**	–	**–**	–
	13,458	1,538	**181**	157
Less: Restricted cash	**(123)**	(123)	**–**	–
Cash and cash equivalents	**13,335**	1,415	**181**	157

Notes:

(a) Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for variable periods of between one day and one month (2011: Nil) depending on the immediate cash requirements of the Group, and earn interest at fixed rates of 1.35% (2011: Nil) per annum. The carrying amounts of bank balances and cash and restricted cash approximate their fair values.

25. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH *(Continued)*

Notes: *(Continued)*

(b) Restricted cash represents guarantee deposits for loans provided by banks to the purchasers of properties. According to the relevant contracts with banks, the Group is required to place in designated bank accounts certain amounts as deposits for potential default in payment of loans advanced to the said purchasers. Such guarantee deposits will only be released after full repayment of the respective loans. The restricted cash has been released on 29 January 2013.

(c) Included in bank balances of the Group is approximately HK$13,068,000 (2011: HK$980,000) of bank balances denominated in RMB dollars placed with banks in PRC.

26. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		(restated)
Trade payables to building contractors (Note a)	**1,069**	1,064	**–**	–
Accrued salaries and other operating expenses	**9,814**	6,998	**2,450**	3,200
Accrued interest expense	**506**	1,424	**506**	–
Deposits received from the sale of properties	**1,840**	1,202	**–**	–
Rental deposits received from investment properties	**422**	428	**–**	–
Amounts payable on return of properties	**6,528**	4,105	**–**	–
Provision (Note c)	**995**	2,310	**995**	1,809
Other payables	**3,005**	1,864	**3**	–
	24,179	19,395	**3,954**	5,009

All of the trade and other payables are expected to be settled within one year or on demand. The carrying amounts of trade and other payables approximate their fair values.

26. TRADE AND OTHER PAYABLES *(Continued)*

(a) Ageing analysis

An ageing analysis of trade payables presented based on the invoice date at the end of reporting period is set out as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Over 360 days past due	**1,069**	1,064	**–**	–

(b) Currency analysis

The carrying amounts of trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**5,442**	6,786	**3,954**	5,009
RMB	**18,737**	12,609	**–**	–
	24,179	19,395	**3,954**	5,009

(c) The movements in the provision during the year are as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
				(restated)
At 1 January	**2,310**	5,473	**1,809**	1,919
Exchange differences	**–**	262	**–**	–
Payment during the year	**(1,315)**	(3,425)	**(814)**	(110)
At 31 December	**995**	2,310	**995**	1,809

The balance represents legal costs payable to professional parties for handling the litigations as disclosed in Note 34 to the consolidated financial statements.

27. INTEREST-BEARING BORROWINGS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans from independent third parties payable within 1 year or on demand				
– secured (Note a)	**25,543**	5,907	**25,543**	–
– unsecured (Note b)	**–**	1,227	**–**	–
	25,543	7,134	**25,543**	–

(a) At 31 December 2011, a loan with principal amount of RMB5,000,000 (equivalent to approximately HK$5,907,000) from an independent third party is secured by the shares of the Group's wholly owned subsidiary, Grand Field Property Development (Shenzhen) Company Limited ("Grand Field Shenzhen"). Interest is charged at 25% per annum and repayable within 4 months from the draw down date. In the event that the loan is overdue, interest will be charged at 40% per annum calculated from the draw down date. At 31 December 2011, the loan has been overdue and bears interest at 40% per annum. The overdue loan and overdue interest have been fully repaid during the year ended 31 December 2012.

At 31 December 2012, another loan with principal amount of RMB20,500,000 (equivalent to approximately HK$25,543,000) from an independent third party is secured by the shares of the Group's wholly owned subsidiary, Grand Field Group Limited ("Share Charge"). Interest is charged at 25% per annum and repayable within 1 year from the draw down date. The loan has been drawn down by the Group in three installments in February 2012, March 2012 and May 2012, respectively. In the event that the loan is overdue, interest will be charged at 40% per annum calculated from the draw down date.

In the opinion of the Directors, the loan is a short term financing arrangement to meet incidental financial need of the Group. The interest charged on the loan includes a premium for such incidental financing arrangement.

(b) At 31 December 2011, loan from an independent third party of RMB1,000,000 (equivalent to approximately HK$1,227,000) is unsecured. Interest is charged at 3% per month. The loan has been fully repaid during the year ended 31 December 2012.

(c) All of interest-bearing borrowings are denominated in RMB.

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 23 June 2006, the Company adopted a share option scheme (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contract to any company in the Group or any affiliate; and (ii) any discretionary trust the discretionary objects of which include any of the foregoing parties in (i) above. The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a share.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Scheme from 23 June 2006.

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price
2008(a)	21 August 2008	21 August 2008 to 18 August 2011	HK$0.1724
2008(b)	21 October 2008	21 October 2008 to 15 October 2011	HK$0.1280

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The following table discloses movements of the Company's share options in issue under Share Option Scheme during the years ended 31 December 2011 and 2012:

		Number of share options			
Name or category of participant	Share option type	Outstanding at 1 January 2011	Exercise during the year	Lapsed during the year	Outstanding at 31 December 2011 and 31 December 2012
Directors	2008(a)	25,000,000	–	(25,000,000)	–
	2008(b)	–	–	–	–
Employees	2008(a)	16,000,000	–	(16,000,000)	–
	2008(b)	28,000,000	–	(28,000,000)	–
Others	2008(b)	25,000,000	–	(25,000,000)	–
Total		94,000,000	–	(94,000,000)	–

The fair value of services received in return of share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions	2008(a)	2008(b)
Fair value at measurement date	HK$0.0718	HK$0.0539
Share price	HK$0.1540	HK$0.1150
Exercise price	HK$0.1724	HK$0.1280
Expected volatility (expressed as weighted average volatility used in the modeling under binominal lattice model)	87.16%	87.68%
Option life (expressed as weighted average volatility used in the modeling under binominal lattice model)	3 years	3 years
Expected dividends	0%	0%
Risk-free interest rate (based on Exchange Fund Notes)	2.397%	1.856%

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

At 31 December 2011, all the share options were lapsed. There was no exercisable outstanding options at 31 December 2012 and 31 December 2011.

29. DEFERRED TAX

The Group

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of investment properties	
	2012	2011
	HK$'000	HK$'000
Deferred tax liabilities arising from revaluation of investment properties:		
At 1 January	**3,979**	310
Charged to the consolidated income statement (Note 9)	**–**	3,652
Exchange differences	**20**	17
At 31 December	**3,999**	3,979

At the end of the reporting period, the Group has unused tax losses of approximately HK$40,297,000 (2011: HK$82,307,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire during 2013 to 2017 (2011: 2012 to 2016).

30. SHARE CAPITAL

The Group and the Company

	2012		2011	
	Number of shares ('000)	**Amount HK$'000**	Number of shares ('000)	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.02 each				
At 1 January and 31 December	**5,000,000**	**100,000**	5,000,000	100,000
Issued and fully paid				
At 1 January and 31 December	**2,516,810**	**50,336**	2,516,810	50,336

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

31. DISPOSAL OF SUBSIDIARIES

Year ended 31 December 2012

(a) Yuan Cheng Real Estate (Shenzhen) Limited

On 12 October 2012, the Group had disposed of it subsidiary, Yuan Cheng to an independent third party by paying a cash consideration of approximately HK$123,000. The net liabilities of Yuan Cheng at the date of disposal were as follows:

	12/10/2012
	HK$'000
Bank balances and cash	2
Other payables and accrued expenses	(478)
Exchange reserves	(4,764)
Net liabilities disposed of	(5,240)
Gain on disposal of Yuan Cheng:	
Consideration paid	(123)
Net liabilities disposed of	5,240
Gain on disposal	5,117
Net cash outflow arising on disposal:	
Cash paid	(123)
Add: Bank balances and cash disposed of	(2)
	(125)

31. DISPOSAL OF SUBSIDIARIES *(Continued)*

Year ended 31 December 2012

(b) Sharp Gain Group

On 11 September 2012, the Group had disposed of Sharp Gain Group to an independent third party with a cash consideration of approximately HK$764,000. The net liabilities of Sharp Gain Group at the date of disposal were as follows:

	11/9/2012 HK$'000
Other payables and accrued expenses	(67)
Exchange reserves	(18)
Net liabilities disposed of	(85)
Gain on disposal of Sharp Gain Group	
Consideration received	764
Net liabilities disposed of	85
Gain on disposal	849
Net cash inflow arising on disposal:	
Cash received	764

32. OBLIGATION UNDER FINANCE LEASE

	2012 **HK$'000**	2011 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**154**	–
Non-current liabilities	**571**	–
	725	–

32. OBLIGATION UNDER FINANCE LEASE *(Continued)*

The Group leases a motor vehicle under finance lease arrangement. The lease term is 5 years (31 December 2011: Nil). Interests rates underlying all obligations under finance lease is fixed at the contract date at 2.5% (31 December 2011: Nil) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance lease				
Within one year	**185**	–	**154**	–
In more than one year but not more than two years	**185**	–	**162**	–
In more than two years but not more than five years	**432**	–	**409**	–
	802	–	**725**	–
Less: future finance charges	**(77)**	–	**N/A**	N/A
Present value of lease obligation	**725**	–	**725**	–
Less: amount due for settlement within 12 months (shown under current liabilities)			**(154)**	–
Amount due for settlement after 12 months			**571**	–

The Group's obligation under finance lease is guaranteed by a director of the Company, Mr. Kwok Siu Bun.

Finance lease obligation is denominated in HK$.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

Financial assets

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current assets				
Loans and receivables				
– Loan receivables due after one year	**–**	165	**–**	–
– Restricted cash	**123**	123	**–**	–
	123	288	**–**	–
Current assets				
Loans and receivables (including cash and cash equivalents)				
– Loan receivables	**121**	413	**–**	–
– Other receivables and deposits	**3,796**	1,194	**8**	7
– Amount due from a director	**2,227**	930	**–**	–
– Amounts due from subsidiaries	**–**	–	**83,003**	66,603
– Cash and cash equivalents	**13,335**	1,415	**181**	157
	19,479	3,952	**83,192**	66,767

33. FINANCIAL INSTRUMENTS *(Continued)*

Categories of financial instruments *(Continued)*

Financial liabilities

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Financial liabilities measured at amortised cost				
– Trade and other payables	**22,339**	18,193	**3,954**	5,009
– Interest-bearing borrowings	**25,543**	7,134	**25,543**	–
– Obligation under finance lease due within one year	**154**	–	**–**	–
– Amounts due to directors	**3,074**	2,020	**3,074**	2,020
– Amount due to a related party	**124**	90	**124**	90
– Amounts due to subsidiaries	**–**	–	**9,359**	28,453
– Dividend payable	**42**	42	**42**	42
	51,276	27,479	**42,096**	35,614
Non-current liabilities				
Financial liabilities measured at amortised cost				
– Obligation under finance lease due after one year	**571**	–	**–**	–

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments including restricted cash, loan receivables, other receivables and deposits, amount due from a director, cash and cash equivalents, trade and other payables, interest-bearing borrowings, obligation under finance lease, amounts due from subsidiaries, amount(s) due to directors/ a related party/subsidiaries and dividend payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments including market risk (currency risk and interest rate risk), credit risk and liquidity risk. According to the Group's risk management policies and guidelines, the financial risk shall be assessed continuously by the management taken into account of the prevailing conditions of the financial market and other relevant variables to avoid excessive concentrations of risk. The Group has not used any derivatives or other instruments for hedging purpose. The most significant financial risks to which the Group is exposed to are described below.

(a) Credit risk

The Group is exposed to credit risk in relation to its loan and other receivables, and cash deposits with banks.

The Group is subject to the credit risk from the recoverability of loan and other receivables in order to minimise the credit risk. The management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at each reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk in relation to loan and other receivables is significantly reduced.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from loan and other receivables are set out in Notes 20 and 23 to the consolidated financial statements, respectively.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-ratings agencies.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. Except for the restricted cash placed with banks by the Group as set out in Note 25 to the consolidated financial statements, the Group does not provide any guarantees which would expose the Group to credit risk.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

(b) Liquidity risk

In the management of liquidity risk, the Directors monitors and maintains a level of bank balances deemed adequate to finance the Group's operations investment opportunities and expected expansion. The Group finances its working capital requirements mainly by the funds generated from operations and from funds raising activities such as obtaining of new borrowings.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group can be required to pay:

At 31 December 2012

	Weighted average effective interest rate %	Less than 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
The Group						
Trade and other payables	–	22,339	–	–	22,339	22,339
Interest-bearing borrowings	25%	32,264	–	–	32,264	25,543
Obligation under finance lease	6.05%	185	185	432	802	725
Amounts due to directors	–	3,074	–	–	3,074	3,074
Amount due to a related party	–	124	–	–	124	124
Dividend payable	–	42	–	–	42	42
		58,028	185	432	58,645	51,847

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

(b) Liquidity risk (Continued)

	Weighted average effective interest rate %	Less than 1 year HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
The Company				
Other payables	–	3,954	3,954	3,954
Interest-bearing borrowings	25%	32,264	32,264	25,543
Amounts due to directors	–	3,074	3,074	3,074
Amount due to a related party	–	124	124	124
Amounts due to subsidiaries	–	9,359	9,359	9,359
Dividend payable	–	42	42	42
		48,817	48,817	42,096

At 31 December 2011

	Weighted average effective interest rate %	Less than 1 year HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
The Group				
Trade and other payables	–	18,193	18,193	18,193
Interest-bearing borrowings	25%	7,650	7,650	7,134
Amounts due to directors	–	2,020	2,020	2,020
Amount due to a related party	–	90	90	90
Dividend payable	–	42	42	42
		27,995	27,995	27,479

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

(b) Liquidity risk *(Continued)*

	Weighted average effective interest rate %	Less than 1 year HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amounts HK$'000
The Company				
Other payables	–	5,009	5,009	5,009
Amounts due to directors	–	2,020	2,020	2,020
Amount due to a related party	–	90	90	90
Amounts due to subsidiaries	–	28,453	28,453	28,453
Dividend payable	–	42	42	42
		35,614	35,614	35,614

The above contractual maturities reflect the undiscounted cash flows, which may differ to the carrying values of the liabilities at the end of the reporting period.

(c) Interest rate risk

The Directors consider the Group's exposure to fair value interest rate risk in relation to interest-bearing bank deposits and interest-bearing borrowings is not significant as interest-bearing bank deposits at fixed rate are within short maturity periods in general and interest-bearing borrowings arranged at fixed rates. The interest rate and repayment terms of the interest-bearing borrowings outstanding at the year end are disclosed in Note 27 to the consolidated financial statements.

The Group is exposed to cash flow interest rate risk mainly in relation to variable-rate bank balances. Sensitivity of the Group's loss for the year and accumulated losses to a reasonable change in the interest rate is assessed to be immaterial.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

(d) Currency risk

The currency risk of the Group is primarily attributable to the net investments in the PRC. The Group seeks to finance these investments by RMB borrowings. The Group monitors foreign exchange exposure and will consider to enter into forward foreign exchange contracts to reduce exposure should the market conditions require.

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

The carrying amounts of the Group's foreign currency denominated net monetary liabilities at the end of the reporting period are as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Net financial liabilities				
HK$	**1,159**	387	**–**	–
RMB	**18,425**	11,895	**25,543**	–
	19,584	12,282	**25,543**	–

Sensitivity analysis

The Group is mainly exposed to the currency of the PRC (i.e. RMB).

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

(d) Currency risk (Continued)

Sensitivity analysis (Continued)

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK$, with all other variable held constant. 5% is the sensitivity rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates until the next reporting period. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and foreign currencies other than the functional currencies of the group entities and adjusts their translation at the year end for a 5% change in foreign currency rates.

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Effect in loss for the year				
HK$	**58**	19	**–**	–
RMB	**921**	595	**1,277**	–
	979	614	**1,277**	–

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2012 and 2011.

34. LITIGATIONS AND CONTINGENT LIABILITIES

(i) On 6 June 2008, the Company was served with an originating summons ("Originating Summons") issued on 4 June 2008 under High Court Miscellaneous Proceedings No. 1059 of 2008 by Mr. Tsang Wai Lun, Wayland ("Tsang"), a former director and shareholder of the Company, as the plaintiff and the Company as the defendant under section 168BC of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong). In the Originating Summons which was amended on 26 February 2009 ("the Amended Originating Summons"), Tsang seeks relief from the High Court of Hong Kong for, inter alia, leave to bring proceedings on behalf of the Company against its 8 then directors, namely, Chu King Fai ("Chu"), Huang Bing Huang ("Huang"), Au Kwok Chuen Vincent ("Au"), Hwang Ho Tyan ("Hwang"), Zhao Juqun ("Zhao"), Yang Biao ("Yang"), Wong Yun Kuen ("Wong") and Mok King Tong ("Mok"). Upon hearing the Amended Originating Summons on 25 and 26 February 2009, the court granted leave to Tsang on 26 February 2009 to bring a statutory derivative action on behalf of the Company against the aforesaid 8 then directors with costs of the application in respect of the Amended Originating Summons be deferred with liberty to apply.

(ii) Pursuant to statutory leave granted under High Court Miscellaneous Proceedings No. 1059 of 2008, Tsang suing as a shareholder for and on behalf of the Company as the plaintiff issued a writ of summons against the aforesaid 8 then directors as 1st to 8th defendants in the High Court of Hong Kong on 18 March 2009 under High Court Action No. 771 of 2009 ("the Action"). The title of the plaintiff was subsequently amended as the name of the Company by a court order dated 29 March 2011.

In summary, the case is that the 8 then directors (comprising the then board of directors of the Company) were in breach of their fiduciary duties and duties of care owed to the Company as directors in that the following resolutions in respect of the following matters were purportedly passed:

(1) a resolution was purportedly passed by the then board of directors of the Company on or about 14 January 2008 ("the Remittance Resolution") to approve a remittance of HK$50,000,000 (equivalent to RMB44,000,000) to a company in the PRC known as Yuan Cheng, which was set up as a wholly owned subsidiary of Grand Field Group Limited ("Grand Field HK"), despite questions having been raised specifically over the legality of the formation of Yuan Cheng. Grand Field HK is a wholly owned subsidiary of the Group. Thus, the sum of HK$50,000,000 remitted by the Company to Yuan Cheng may have been put under the control of an unauthorised and unlawful entity.

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(ii) *(Continued)*

(2) a resolution was purportedly passed by the then board of directors of the Company on or about 27 May 2008 ("the Yangzhou Project Resolution") to sanction an acquisition of a project known as Yi Zheng Economic Development Zone High Technology Industrial Park (儀征經濟開發區高新技術產業園) from Min Tai Development Company Limited (閩泰建設有限公司) at a consideration of HK$88,000,000 with an up-front payment of HK$5,000,000 paid out of the funds of Yuan Cheng.

(3) a resolution was purportedly passed by the then board of directors of the Company on or about 15 March 2008 ("the Management Services Resolution") to sanction the entry of management services agreements by Yuan Cheng with Dongguan City Hua Jia Fu Industry and Trading Limited (東莞市華家富工貿有限公司) and Dongguan City Min Tai Industry and Investment Limited (東莞市閩泰實業投資有限公司), which involve an up-front payment of RMB8,000,000 by Yuan Cheng.

(4) a resolution was purportedly passed by the then board of directors of the Company on or about 27 May 2008 ("the Zhong Cheng Resolution") to sanction the entry of a co-operation framework agreement by Yuan Cheng with a PRC entity known as Shenzhen Zhong Cheng Construction Engineering Company Limited (深圳市中城建設工程有限公司) ("Zhong Cheng"), which required an upfront payment of RMB5,000,000. Yuan Cheng also made 2 subsequent payments to satisfy third parties of the credit worthiness of Zhong Cheng, involving RMB17,000,000.

(5) two resolutions were purportedly passed by Chu, Au, Zhao, Yang, Wong and Mok at a board meeting of the Company on 15 and 20 November 2008 ("the Loan Resolutions") sanctioning Grand Field Property Development (Shenzhen) Company Limited ("Grand Field Shenzhen") to borrow up to RMB50,000,000 purportedly to repay a loan owed to Yuan Cheng and to use the balance as operational capital for the Company. Grand Field Shenzhen is a wholly owned subsidiary of the Group.

Further, alleged loans of RMB33,100,000 were purportedly made by Yuan Cheng to a PRC entity called Shenzhen Hua Ke Nano-Technology Development Company Limited (深圳華科納米技術有限公司) from April to June 2008.

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(ii) *(Continued)*

It was the case of Tsang suing in the name of the Company that Yuan Cheng was used as a vehicle in the PRC to channel the HK$50,000,000 for improper purpose not in the interests of and/or with no apparent benefit to the Company and/or to enable the same to be applied for the personal benefit of Chu, his family or related companies. The Company thus has suffered a loss to the extent of HK$50,000,000 as a result of the breach of duties by the 8 then directors to act bona fide in the interests of the Company or to use their powers for a proper purpose.

By reason of the aforesaid, Tsang suing in the name of the Company claims:

(a) damages or equitable compensation in the sum of HK$50,000,000;

(b) an account of all benefits, payments or profits received as a result of the breaches of fiduciary duties by the 8 then directors;

(c) a declaration that the Remittance Resolution, the Yangzhou Project Resolution, the Management Services Resolution, the Zhong Cheng Resolution and the Loan Resolutions passed as board resolutions of the Company were not made bona fide in the interest of the Company;

(d) an order that the Remittance Resolution, the Yangzhou Project Resolution, the Management Services Resolution, the Zhong Cheng Resolution and the Loan Resolutions be set aside; further or alternatively, a declaration that the aforesaid resolutions are invalid, null and void and of no legal effect;

(e) restitution of payment received directly or indirectly by the 8 then directors, or any of them, in breach of their duties;

(f) an injunction against the 8 then directors restraining each of them from continuing as the Company's director and/or exercising the powers as director;

(g) interest;

(h) costs; and

(i) further and/or other relief.

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(ii) *(Continued)*

Tsang has discontinued the Action suing against Hwang in the name of the Company on 4 August 2010.

The Action was tried at the High Court of Hong Kong from 2 August 2012 with 18 days reserved. Upon commencement of the trial, Tsang suing in the name of the Company has, settled the Action with Zhao, Yang and Mok that Tsang suing in the name of the Company decided not to pursue the Action against Zhao, Yang and Mok and with no order as to costs.

The Action against Au has also reached an out of court settlement on 22 October 2012. Tsang, the Company and Au have come to a deed of settlement ("Deed of Settlement") to discontinue all further actions against Au and with no order as to costs.

As for the Action against Chu, Huang and Wong, the final submission of the Action was made on 6 September 2012 and completed the hearing on 24 October 2012, hence, no judgment of the Action has been pronounced or handed down as of the reporting date. The 8 then directors have already resigned from the Company. They did not remain with the Company and/or have no relationship with the management of the Company. In the opinion of the Directors, the Amended Originating Summons and the Action will have no material impact on the operations of the Group. The Directors cannot reliably measure the financial impact of the Amended Originating Summons and Action on the Group until the judgment of the Action is pronounced or handed down.

Regarding the above Action, the Company has received a legal letter from the lawyer of Tsang, in relation to the indemnity claim from the legal costs incurred or owed for the opposite relevant parties in the Action. As no judgment of the Action has been pronounced or handled down by the High Court up to the date of this report, the potential indemnity claim from Tsang has not been applied to and allowed by the Court. Because the possibility of the claim is remote until the Court's order is finalised, the Directors consider that the Company should not make any provision of the reimbursement.

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(iii) In 2006, the Group's wholly owned subsidiary, Shing Fat Hong Limited ("Shing Fat Hong"), signed a tenancy agreement with a karaoke operator for a ten-year period, whereby Shing Fat Hong was required to renovate and combine two entire floors of its commercial properties in Dongguan. The karaoke operator failed to apply for an operating license due to non-compliance of the building structure with fire safety regulations. Since 2007, the tenant has initiated several legal proceedings against Shing Fat Hong in local PRC courts for validation of the tenancy agreement and for compensation of decoration fees and other economic losses of RMB4,500,000 (equivalent to HK$5,114,000). However, Shing Fat Hong has appealed to, and sued the tenant, in local PRC courts for compensation of renovation and restoration of the properties, loss of rental income and other economic losses of RMB2,056,000 (equivalent to HK$2,336,000). In 2009, Shing Fat Hong has lost in a court case to claim against the tenant for compensation of restoration of the properties. Other legal proceedings between Shing Fat Hong and the tenant are still ongoing.

In the opinion of the Directors, the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

(iv) Au Kwok Chuen Vincent ("Vincent Au"), a former executive director of the Company, lodged a claim at the Labour Department against the Company for his salary for the period from 1 May 2009 to 30 September 2009 in the total sum of HK$350,000. On 10 May 2010, Vincent Au has formulated a claim at the Labour Tribunal against the Company for a total sum of HK$700,000 being the wages in lieu of notice, the arrear of wages, annual leave pay and severance payment. On 3 June 2010, the case was transferred to be heard at High Court.

A provision of HK$296,000 has been made in respect of the case for the year ended 31 December 2010. Pursuant to the Deed of Settlement, the Company shall pay HK$330,000 in full and final settlement of Au's claims against the Company in DCCJ No. 3864 of 2010, such sum payable to Au on or before 15 November 2012 and discontinue all claims against the Company with no order as to costs. The settlement has been made during the year ended 31 December 2012.

34. LITIGATIONS AND CONTINGENT LIABILITIES *(Continued)*

(v) According to the PRC Provisional Regulations on Land Appreciation Tax – State Council Order No. 138 [1993] issued on 13 December 1993 by The State Council of the People's Republic of China, the Group is subject to land appreciation tax ("LAT") in the PRC. On 10 November 2005 and 20 October 2005, the local tax authorities of Shenzhen issued the letters, namely Shen Dai Shui Fa [2005] No.521 and 522 and Shen Dai Shui Han [2005] No.110, respectively to commence the levies of the LAT for the property developers with effect from 1 November 2005.

The Telford Garden Phase I & II, Huanchengxi Road, Buji Town, Longgang District, Shenzhen, Guangdong Province, the PRC (the "Telford Garden I & II") were developed by an indirect wholly owned PRC subsidiary, Grand Field Shenzhen, and started the sales since the late of 1990s. All of the units in Telford Garden I & II had been sold before the year ended 31 December 2012.

Under a notice issued on 6 September 2010 by 深圳市龍崗區地方税務局 (the "Notice") on LAT to Grand Field Shenzhen, the tax authorities used a special method to calculate the total amount of LAT for Telford Garden I & II, in which LAT was calculated at the rates ranging from 5% to 10% of the sales revenue. The Group had paid LAT in accordance with the Notice for Telford Garden I & II, which has been sold during the period from 1 November 2005 to 31 December 2012.

However, Grand Field Shenzhen did not conduct the LAT clearance with the tax authorities, the Directors have consulted with an independent legal advisor and concluded that the possibility of the LAT on Telford Garden I & II be imposed by the tax authorities is low.

The Group will seek opinion from the legal advisor or professional tax advisor, or will communicate with the local tax authorities in Shenzhen to confirm the current position of the LAT liabilities on Telford Garden I & II and its impact. Should any additional LAT be further imposed on Telford Garden I & II by the tax authorities in Shenzhen, there would be an additional LAT payable. This provision for the LAT has not yet been provided for in the consolidated financial statements for the year ended 31 December 2012.

35. COMMITMENTS

(a) The Group had the following material commitments at the end of the reporting period:

	2012	2011
	HK$'000	HK$'000
Contracted but not provided for:		
Capital contribution to a PRC company (Note)	**264,420**	275,392

Note: On 24 January 2011, the Group entered into an agreement with 深圳鈞濠計算機軟件開發有限公司 and 廣東省紅岭集團有限公司. Pursuant to the agreement, a PRC company, 深圳棕科 would be formed to develop the Shenzhen Land. 深圳棕科 was incorporated on 30 March 2011. The registered capital of 深圳棕科 is RMB450,240,000 (equivalent to approximately HK$552,442,000), to which the Group agreed to contribute RMB225,120,000 (equivalent to approximately HK$276,221,000), representing 50% of the registered capital of 深圳棕科. At 31 December 2011, deposit paid for investment in a subsidiary represented a total cash contribution of approximately RMB675,000 (equivalents to approximately HK$829,000) contributed to 深圳棕科 by the Group.

On 3 June 2012, 深圳棕科 has been approved to amend its capital injection pattern and capital injection timetable, in which the cash contribution portion was changed from approximately RMB135,072,000 to RMB329,052,000. The Group was required to contribute the capital by way of transfer of the Group's 50% interest in the Shenzhen Land and cash contribution of approximately RMB164,526,000 to 深圳棕科.

On 6 June 2012 and 23 July 2012, the Group had made further cash capital injections of approximately RMB5,006,000 and RMB5,034,000 to 深圳棕科, respectively. In accordance with the Memorandum and Association of 深圳棕科 and a supplementary agreement entered between the Group and 深圳鈞濠計算機軟件開發有限公司 and 廣東省紅岭集團有限公司, the Group shall appoint two of three of the board of directors of 深圳棕科. In view of the above, the Directors determined that the Group has obtained the control effectively by controlling the majority of the board of 深圳棕科 and holds 50% of the shareholding of 深圳棕科. Hence, 深圳棕科 become a subsidiary of the Group thereafter.

At 31 December 2012, the Group has contributed cash portion of approximately RMB10,715,000 (equivalents to approximately HK$13,167,000) (2011: RMB675,000 (equivalent to approximately HK$829,000)) to 深圳棕科.

35. COMMITMENTS *(Continued)*

(b) As lessee

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

	2012	2011
	HK$'000	HK$'000
Within one year	**846**	572
In the second to fifth year inclusive	**524**	763
	1,370	1,335

The Group leases two office premises under operating leases. The leases typically run for an initial period of 3 years (2011: 3 years), at the end of which period all terms are negotiated. None of the lease includes contingent rentals.

(c) As lessor

Property rental income earned during the year was approximately HK$3,070,000 (2011: HK$1,763,000).

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

	2012	2011
	HK$'000	HK$'000
Within one year	**1,376**	1,257
In the second to fifth year inclusive	**1,957**	2,618
	3,333	3,875

The Group leases its investment properties (Note 15) under operating lease arrangements which run for an initial period of one to seven years (2011: one to seven years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The properties are expected to generate rental yields of 2.1% (2011: 2.5%) on an ongoing basis.

36. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

The remuneration of the Group's key management personnel is disclosed in Note 10 to the consolidated financial statements.

(b) Transactions with other related parties

During the year, the Group paid consultancy fees of HK$1,080,000 (2011: HK$999,000) to Grand Field Resources Company Limited ("Grand Field Resources"). Mr. Tsang Wai Lung, Wayland ("Mr. Tsang") and Ms. Kwok Wai Man, Nancy are shareholders of Grand Field Resources, substantial shareholders and former directors of the Company. Mr. Tsang is also a director of Grand Field Resources.

37. RESERVES

	Share premium	Share option reserve	Contributed surplus	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2011	261,949	5,400	140,281	(260,008)	147,622
Loss and total comprehensive expense for the year	–	–	–	(7,451)	(7,451)
Transfer on lapse of share options	–	(5,400)	–	5,400	–
At 31 December 2011 and 1 January 2012	261,949	–	140,281	(262,059)	140,171
Profit and total comprehensive income for the year	–	–	–	10,016	10,016
At 31 December 2012	261,949	–	140,281	(252,043)	150,187

Notes:

(a) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

37. RESERVES *(Continued)*

(a) Nature and purpose of reserves *(Continued)*

(ii) Share option reserve

The share option reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in Note 5 to the consolidated financial statements.

The contributed surplus of the Company arose as a result of the same Group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would be after the payments, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

(b) Distributability of reserves

At the end of the reporting period, the Company did not have any reserves available for cash/in special dividend distribution to owners of the Company.

38. CAPITAL MANAGEMENT

The Group's primarily objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgement to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity.

38. CAPITAL MANAGEMENT *(Continued)*

The gearing ratio at 31 December 2012 and 2011 was as follows:

	2012	2011
	HK$'000	HK$'000
		(restated)
Total liabilities	**57,828**	33,616
Less: Cash and cash equivalents	**(13,335)**	(1,415)
Net debt	**44,493**	32,201
Total equity and adjusted capital	**224,903**	246,962
Gearing ratio	**20%**	13%

39. EVENTS AFTER THE REPORTING PERIOD

Apart from as disclosed elsewhere in the consolidated financial statements, the following significant events took place subsequent to 31 December 2012.

On 22 February 2013, the Group has entered into a supplemental loan agreement with an independent third party (the "Lender") of a RMB20.5 million loan (the "Loan") as disclosed in Note 27(a) for variation and/or extension of the terms of the repayments of the interest-bearing borrowings obtained from the Lender. The salient terms and conditions of the supplemental loan agreement are as follows:

(1) The Lender agrees to vary and extend the respective repayment dates of the Loan with repayment dates in February, March and May 2013, respectively as disclosed in Note 27(a) to 27 November 2013 or such later date as the Group and the Lender may agree further;

(2) an additional daily interest of 5% per annum on the Loan shall be payable from the respective dates of drawdown of the Loan to 26 November 2013 (both days inclusive). Such additional interest together with the last quarter interest of the Loan shall be paid monthly by the Group commencing from 26 April 2013; and

(3) the Share Charge entered into between the Group and the Lender on 20 February 2012 to the Lender as security for repayment of the Loan, interests and other expenses shall remain effective.

40. COMPARATIVE FIGURES

In order to conform with the current year presentation, certain items in the consolidated income statement for the year ended 31 December 2011 and consolidated statement of financial position at 31 December 2011 and 1 January 2011 have been reclassified.

The Group

For the year ended 31 December 2011

	Amount originally stated HK$'000	Reclassification HK$'000	Amount as restated HK$'000
Items on consolidated income statement for the year ended 31 December 2011			
Cost of revenue	2,409	115	2,524
Income tax expense	4,067	(115)	3,952

At 31 December 2011

	Amount originally stated HK$'000	Reclassification HK$'000	Amount as restated HK$'000
Items on consolidated statement of financial position at 31 December 2011			
Other receivables, deposits and prepayments	2,484	(930)	1,554
Amount due from a director	–	930	930
Trade and other payables	21,390	(1,995)	19,395
Amounts due to directors	–	2,020	2,020
Amount due to a related party	–	90	90
Tax payable	1,071	(115)	956

40. COMPARATIVE FIGURES *(Continued)*

At 1 January 2011

	Amount originally stated HK$'000	Reclassification HK$'000	Amount as restated HK$'000
Items on consolidated statement of financial position at 1 January 2011			
Other receivables, deposits and prepayments	4,120	(1,221)	2,899
Amount due from a director	–	1,221	1,221
Tax recoverable	374	(374)	–
Trade and other payables	24,259	(1,309)	22,950
Amounts due to directors	–	1,819	1,819
Tax payable	884	(884)	–

The Company

At 31 December 2011

	Amount originally stated HK$'000	Reclassification HK$'000	Amount as restated HK$'000
Items on statement of financial position at 31 December 2011			
Other payables	7,119	(2,110)	5,009
Amounts due to directors	–	2,020	2,020
Amount due to a related party	–	90	90

40. COMPARATIVE FIGURES *(Continued)*

The Company *(Continued)*

At 31 December 2010

	Amount originally stated	Reclassification	Amount as restated
	HK$'000	HK$'000	HK$'000
Items on statement of financial position at 1 January 2011			
Other payables	7,231	(1,819)	5,412
Amounts due to directors	–	1,819	1,819

41. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

Five Years Financial Summary

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the five years ended 31 December 2012.

CONSOLIDATED RESULTS

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
Turnover	**12,106**	5,618	4,058	4,623	5,133
Loss before income tax	**(20,604)**	(7,611)	(26,145)	(56,364)	(92,617)
Income tax (expense) credit	**(190)**	(3,952)	2,346	849	3,447
Loss for the year	**(20,794)**	(11,563)	(23,799)	(55,515)	(89,170)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(restated)	(restated)	(restated)	(restated)
Total assets	**293,072**	280,578	270,875	294,207	373,764
Total liabilities	**(57,828)**	(33,616)	(26,289)	(31,930)	(69,947)
Net assets	**235,244**	246,962	244,586	262,277	303,817

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR DEVELOPMENT				
A parcel of land in Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	Planning stage	N/A
A parcel of land in Bai Guo Dong Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	Planning stage	N/A
A parcel of land in Cao Bu Xi Huan Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Residential and commercial	50%	Planning stage	N/A

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR SALE				
Various units in Rado Garden Phase II Zhenxing Road Zhangmutou Dongguan Guangdong Province The PRC	Residential	100%	N/A	N/A
Various units in Rado Garden Phase I Yonglong Street and Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	N/A	N/A
Various units in Elegance Garden Yongning Street and Guan-Hui Highway Zhang Luo Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	N/A	N/A
Various units in Riviera Garden Phase II Lijing Da Dao Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential	100%	N/A	N/A

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR SALE				
Various units in Tao Ran Ju Xu Jing Zhu Hi-Technology Park Bin Huan Di Road Nan Shan District Shenzhen Guangdong Province The PRC	Residential	100%	N/A	N/A
A unit in Telford Garden Phase I Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Commercial	100%	N/A	N/A
A unit in Telford Garden Phase II Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Residential	100%	N/A	N/A

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR INVESTMENT				
Various units in Elegance Garden Yongning Street and Guan-Hui Highway Zhang Luo Management District Zhangmutou Dongguan Guangdong Province The PRC	Commercial and residential	100%	N/A	N/A
Various units in Riviera Garden Phase I Lijing Da Dao Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units in Rado Garden Phase I Yonglong Street and Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Commercial and residential	100%	N/A	N/A

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR INVESTMENT				
Various units in Rado Garden Phase II Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units in Telford Garden Phase I Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units and car parking spaces in Telford Garden Phase II Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Commercial	100%	N/A	N/A