2011 高瞻遠矚 傲視未來

Annual Report
年報

金朝陽集團有限公司
SOUNDWILL HOLDINGS LIMITED

於百慕達註冊成立之有限公司
Incorporated in Bermuda with limited liability
證券代號 Stock Code: 0878

Contents

Corporate Information

DIRECTORS

Executive Directors:

FOO Kam Chu, Grace, *Chairman*
CHAN Wai Ling
KONG Siu Man, Kenny
LAU Kam Kwok, Dickson

Independent Non-Executive Directors:

CHAN Kai Nang
PAO Ping Wing
NG Chi Keung

COMPANY SECRETARY

LAM Chun Choi

AUDITOR

BDO Limited
Certified Public Accountants

LEGAL ADVISORS

Lo, Wong & Tsui
Conyers Dill & Pearman

WEBSITE

www.soundwill.com.hk

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

21st Floor, Soundwill Plaza
38 Russell Street
Causeway Bay
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road, Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

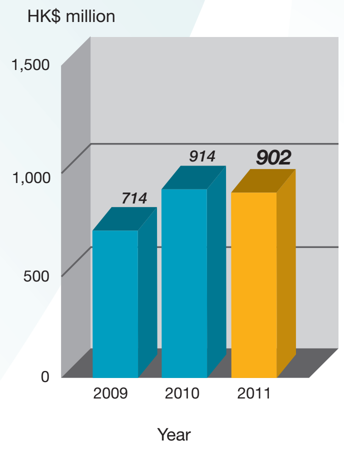
Financial Highlights

	Year ended 31 December		
	2011	2010	
Turnover	**HK$902 million**	HK$914 million	
Profit attributable to owner of the company	**HK$2,111 million**	HK$2,060 million	*(Restated)*
Basic earnings per share	**HK$8.05**	HK$8.57	*(Restated)*
Dividend per share	**HK$0.13**	HK$0.10	

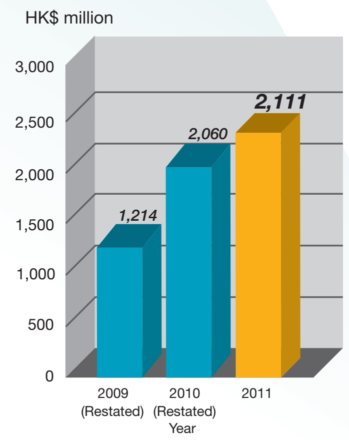
	At 31 December 2011	At 31 December 2010	
Total assets	**HK$14.7 billion**	HK$11.7 billion	
Net assets	**HK$10.3 billion**	HK$7.9 billion	*(Restated)*
Total borrowings	**HK$3.5 billion**	HK$3.1 billion	
Gearing ratio	**34%**	39%	*(Restated)*
Net asset value per share	**HK$37.38**	HK$32.60	*(Restated)*

Financial Highlights

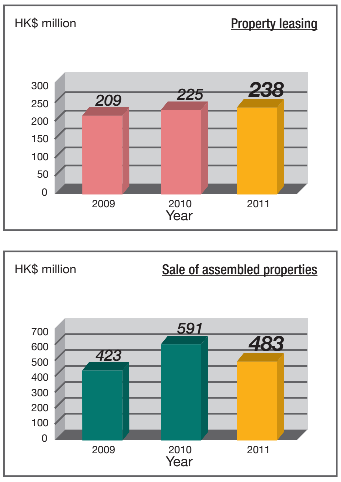
Group's revenue



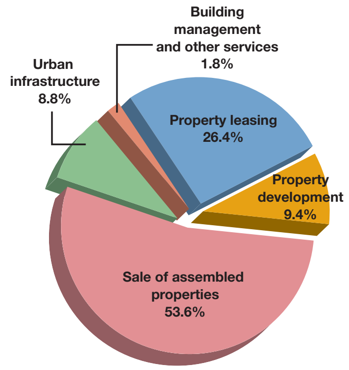
Profit attributable to owners of the Company



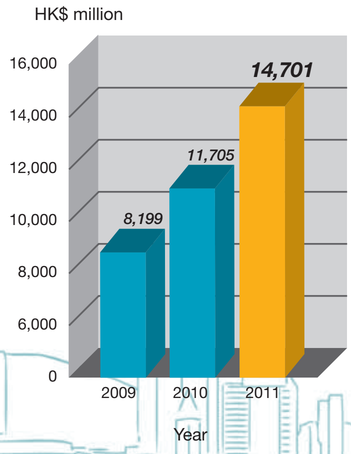
Group's revenue by segments



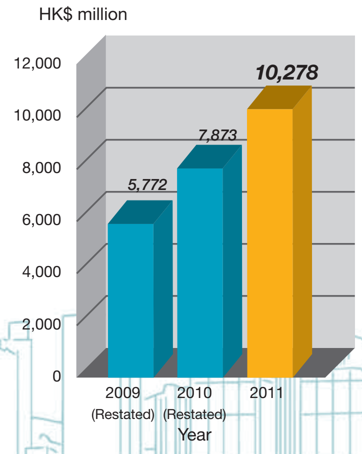
Group's revenue mix in year 2011



Group's Total Asset



Group's Net Asset Value



Chairman's Statement

Dear Shareholders:

In 2011, the global economy was characterized by unpredictability, with the European sovereign debt crisis still ongoing and the economies around the world still facing numerous challenges. Despite an overcast external economic environment, it is expected that the fundamentals of the Hong Kong economy will remain sound. The stable local demand and low-interest environment, coupled with strong traveler expenditures, were the major driving forces for the economic growth in Hong Kong; whereas during the past year, all the core businesses of the Group outperformed our expectations, which contributed to strengthening of our solid foundation, and in turn further promote the growth of the Group.

We expect that with the successive completion of various future residential and commercial development projects in the coming few years, the rental income from the portfolio of investment properties will continue to increase, generating long-term, stable income for the Group while founding the Group's entrance into a new era.

On the other hand, economic growth in Hong Kong, Mainland China and other regions has fuelled robust growth of the retailing industry in Hong Kong. The Group's flagship rental project, Soundwill Plaza sits on the core area of Causeway Bay in Russell Street, which is one of the most expensive streets in the world in terms of rental level. It is expected even more encouraging increments in the rentals will be coupled with a close to 100% occupancy rate, realizing lucrative and stable income for the Group in the long run.

In the witness of the prosperous growth of Soundwill Group, we strive for perfection in every aspect of our operation, continue investing significant resources to enhance our properties and accurately leverage on any market opportunities that arise, while at the same time enhancing our corporate governance and persisting to keep a high transparency, which will in turn nourish the sustained growth of our businesses.

I would like to take this opportunity to thank our shareholders, director and business partners for their consistent trust and support. I would also like to express gratitude to the management and our staff for their efforts during the past year. The Group will continue to dedicate itself to further enhancing its performance and optimizing the return to its shareholders.

Foo Kam Chu, Grace
Chairman

Hong Kong, 21 March 2012

Directors' Profile

FOO Kam Chu, Grace, aged 68, is the founder and Chairman of the Group. Madam Foo has extensive experience in property market. She has been engaging in the property business in Hong Kong since early 1970s, particularly specialised in the acquisition of old buildings for redevelopment into commercial or residential buildings. Madam Foo is currently responsible for the Group's overall development direction and strategies. Furthermore, she serves as a standing committee member of 10th, 11th and 12th Guangzhou Committee of the Chinese People's Political Consultative Conference and has been elected as an honorary citizen of Guangzhou and executive committee member of 10th Guangdong Province (Women) Members Association. She is familiar with the political and economic affairs in the PRC.

CHAN Wai Ling, aged 41, is an Executive Director of the Company. She is in charge of Hong Kong property department and is responsible for the property development and leasing of Hong Kong properties of the Group. She graduated from the University of Toronto, Canada with a bachelor degree in commerce and also obtained a Master of Business Administration Degree from University of Strathclyde, United Kingdom. Before joining the Group in September 1998, she had worked in an international property consultant firm and had operated her own property investment business for more than five years.

KONG Siu Man, Kenny, aged 49, is the Executive Director in charge of the property development of the Group. Mr. Kong graduated from the Hong Kong Polytechnic University. He is a Chartered Surveyor of Royal Institution of Chartered Surveyors of Hong Kong, a Registered Professional Surveyor and an Authorized Person under Buildings Ordinance of Hong Kong SAR Government. He joined the Company in 2009 and has over 20 years experience in the Mainland and Hong Kong property market.

LAU Kam Kwok, Dickson, aged 44, is the Executive Director in charge of the finance department of the Group. Mr. Lau is a fellow member of the Hong Kong Institute of Certified Public Accountants and graduated from City University of Hong Kong with a bachelor degree in accountancy. Mr. Lau has over 20 years of experience in auditing, finance and accounting.

Directors' Profile

CHAN Kai Nang, aged 66, appointed as Independent Non-Executive Director of the Company on 11 March 2009, received a Postgraduate Diploma in Management Studies from The University of Hong Kong and Bachelor of Laws from the University of London. Mr. Chan is an associate member of The Chartered Institute of Management Accountants in the UK and The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants in the UK. Mr. Chan has been a top level executive with substantial experience in major multinational and local corporations. He had been the regional controller and senior executive of these corporations for many years. Mr. Chan was the executive director of Galaxy Entertainment Group Limited (formerly known as K. Wah Construction Materials Limited) and managing director of K. Wah Construction Materials Limited. The shares of the above-named company are listed on the Stock Exchange. He is currently an adviser of K. Wah Construction Materials Limited. Mr. Chan was also appointed as independent non-executive director of Asian Capital Holdings Limited, the shares of which listed on the Growth Enterprise Market of the Stock Exchange and Prosperity International Holdings (H.K.) Limited, a company listed on Main Board of the Stock Exchange respectively.

PAO Ping Wing, aged 64, appointed as Independent Non-Executive Director of the Company on 6 November 2009, received a Master of Science degree in Human Settlements Planning and Development from the Asian Institute of Technology in Bangkok, Thailand. Mr. Pao was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983. He was also an ex-Urban Councillor. In the past 20 years plus, he has been actively serving on government policy committees and statutory bodies, especially those of town planning, urban renewal, public housing, culture and arts and environment matters. Mr. Pao is an Hon. Fellow of The Hong Kong Institute of Housing. He is also an independent non-executive director of several other companies listed on the Stock Exchange including Oriental Press Group Limited, UDL Holdings Limited, Sing Lee Software (Group) Limited, New Environmental Energy Holdings Limited, Zhuzhou CSR Times Electric Co., Ltd. and Maoye International Holdings Limited.

NG Chi Keung, aged 63, appointed as Independent Non-executive Director of the Company on 18 March 2011. Mr. Ng holds a Master Degree in Business Administration and is an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Management Accountants. He has over 30 years of financial management experience with renowned multi-national corporations. Mr. Ng was the executive director of Fairwood Holdings Limited for 15 years until his retirement at the end of year 2009 and re-designated as non-executive director after his retirement.

Operations Review and Prospects

OVERVIEW

Amidst the fluctuating global economy in 2011, the Group adhered to the philosophy of long-term and meticulous operation and proactively acquired land parcels in high-quality areas to increase its land reserve. Also, given its solid strengths, the Group persisted in the sale of its properties with a scrupulous approach without fear for the influence of uncertainties in the external economy, in order to generate predictable and stable return for its shareholders.

Subsequent to the government release of more land reserve and promulgation of a series of stabilization policies targeted at the healthy development of the property market, the Group will maintain its regular acquisition procedures as well as operation and management methods to cater for the needs of owners of old buildings and provide suitable assistance to the property owners proactively, with the objectives of contributing to the sustainable development of the community, striving for the optimal balance between the community, commercial development and the environment, and creating a better living environment for the community.

On the other hand, with the ever-increasing number of mainland visitors to Hong Kong during the recent years, the consumption amount by individual visitors from mainland in Hong Kong continued to substantially escalate and greatly stimulated the local retailing market, which has drawn numerous big international brands into the core areas in Hong Kong and providing strong support for the upward trend of the rent level in these areas. Benefiting from this, Russell Street, where the Group's flagship rental project Soundwill Plaza is situated, has become one of the most expensive streets in the world in terms of rental level, and our rental income once again recorded historical high at an encouraging increment rate, bringing along even more lucrative cash flow and profitability to Soundwill Group.

With the Group positioned in such a favorable milieu, we have attracted international long-term investors to become our shareholders, which not only enhanced our institutional investor base but also mirrored the strong confidence of the investor market in our business prospects and high quality asset value.

Furthermore, the Group became a constituent stock of Morgan Stanley Capital International (MSCI) Hong Kong Small Cap Index since May 2011, which further affirmed the market's recognition of the investment outlook of the Group, reinforcing our position in the international capital market.

LAND BANK

During the year, the Group has maintained an active presence in the acquisition of old buildings in different districts on Hong Kong Island, while capturing suitable opportunities in acquiring quality land parcels, in order to further strengthen its investment in projects with appreciation potential, enhance the coverage and quality of its property portfolio, contribute to the re-invigoration of communities, improve building quality and auxiliaries, and benefit new and existing owners alike.

To fully capitalize on the opportunities brought forward by the growth of the Hong Kong market, the Group also resolutely undertakes operations at a number of prime locations to increase its market share, and participates in urban redevelopment projects there. Paralleled to this, the Group will also look for locations with strong potential outside Hong Kong Island and increase its land bank at a reasonable cost, meticulously evaluate its portfolio of investment properties and select projects with a strong potential for self-development, in order to enhance the Group's profit.

Operations Review and Prospects

PROPERTY ASSEMBLY

Despite an extremely challenging external environment, it is anticipated that the Hong Kong economy will maintain sound fundamentals, whereas fundamentals of the property market will be consistently solid and the low-interest environment will be going on, leading to increasing investors' confidence in luxurious properties. Also, the relaxation of compulsory auction sale threshold for certain types of buildings to 80% by the government in April 2010 has directly accelerated the progress of ownership unification and reconstruction by the Group. As such, we will proactively expand our core business of old building acquisition, particularly with a focus on the prime areas on Hong Kong Island. Turnover of this business segment is approximately HK$483,280,000 in 2011, accounting for 53.6% of the Group's turnover for the year.

During the year, the Group has successfully disposed of the project on 14-20 Merlin Street, North Point after unification of its ownership. Details are as follows:

14-20 Merlin Street, North Point

The site at 14-20 Merlin Street, North Point was disposed of at HK$459,280,000. The total site area was approximately 5,297 square feet, and the construction of a 31-storey hotel project with 351 rooms was approved. Based on a plot ratio of 15, the maximum buildable gross floor area approximates 79,455 square feet. The transaction was completed early by half a year in September 2011 from the scheduled April 2012. Since sales was based on the market value to reflect its costs, approximately HK$203,922,000 of gain on property revaluation in 2011 was included in the cost, and as a result led to a profit of approximately HK$3,837,000. Excluding this net increase in the fair value adjustments, the profit was HK$207,759,000.

The successful disposal of the project at Merlin Street, North Point was mainly the fruitful outcome from the Group's scrupulous assessment of the development direction of different sites in old districts, incessant efforts in expanding the coverage of acquisition and unification, proactive promotion of ownership acquisition of the projects, as well as the Group's extensive experience in acquisitions, its professional team and effective control of the pace of project acquisition.

Operations Review and Prospects

To align with a series of old district invigoration policies promulgated by the government for improvement of livelihood about a year ago, the Group has successfully unified a number of projects, including:

13-15 Mercury Street, North Point

The entire ownership of the site at 13-15 Mercury Street, North Point was successfully unified in October 2011. The total site area was approximately 2,574 square feet, including 2 street-level shops and 6 residential units currently. The site has a maximum buildable plot ratio of 15 and a buildable gross floor area of approximately 38,600 square feet for the re-development of a commercial of hotel project.

With a number of major development projects upcoming in North Point (including the Oil Street Comprehensive Development Area), two plots of residential, commercial and hotel land parcels located at the previous North Point Estate have also been included in the Application List. These two land parcels are anticipated to become market highlights, exerting positive influence on the property price in the district while helping to enhance the development and appreciation potentials of the Group's project in Mercury Street.

18-21 School Street, Tai Hang

The entire ownership of the site at 18-21 School Street, Tai Hang was successfully unified in September 2011. The total site area was approximately 2,250 square feet, including 24 street-level shops and residential units currently. The site was a category C site, with a maximum plot ratio of 10 and a buildable gross floor area of approximately 22,500 square feet for the re-development of a purely residential project. On the other hand, the site planning may be developed for residential (category A) purposes. It is expected that it may not only be developed into a residential property with sea view, but also one with commercial shops at street-level.

Subsequent to very pleasing sales performance realized by WarrenWoods, a boutique-style luxury residential project in Tai Hang launched by the Group in the year before last, as well as the sell-out of complex units within just a few days, the property price in the district has since reached new record-highs, reflecting the increasing rarity of supply on Hong Kong Island. These have helped to further enhance the appreciation potential of the project on Tai Hang property, generating even more impressive profits for the Group.

14-16 Mosque Street, West Mid-level

The entire ownership of the site at 14-16 Mosque Street, West Mid-level was successfully unified in October 2011. The total site area was approximately 4,061 square feet, being a 6-storey residential property with a total of 18 units currently. The site has a maximum buildable plot ratio of 8 and a maximum gross floor area of over 30,000 square feet for the re-development of a residential (category A) project.

Located next to the Central to Mid-level escalator, the project is just a few minutes' walk from the core financial and business area in Central and has always been the dwelling place for people on business and expatriate professionals. Their keen demand for brand-new quality properties at the same time warrants for satisfactory rental return in the district. On top of this, the successful development of boutique-style luxurious residential properties warmly-received by investors in the district reflected the substantial demand for brand-new quality properties on the market.

57 Kin Wah Street and 66 Fort Street, North Point

All the ownerships of the two sites at 57 Kin Wah Street and 66 Fort Street, North Point were successfully unified in November 2011. The total site area of the two sites was approximately 3,240 square feet. Currently, 66 Fort Street is a 6-storey residential property, while 57 Kin Wah Street is a 7-storey residential property (including two storeys of basement). In case of re-developing the site to a residential project, based on a plot ratio of 9, the maximum gross floor area approximates 29,200 square feet for combined development of the two sites.

The expected development of various major projects in North Point will have positively influence the property price and property development in the district.

In the future, the Group will aggressively carry out acquisition for a number of projects and select sites with relatively high appreciation potential for proactive and in-depth planning and research, while reserving the possibility of keeping the projects for self-development. We will wisely deploy our land resources and explore the best development plans in order to ride on changes in the market environment and optimizing our shareholders' interests.

Operations Review and Prospects

PROPERTY LEASING

For the year ended 31 December 2011, the Group's flagship rental property, Soundwill Plaza has a gross floor area of approximately 246,400 square feet, of which 18,300 square feet were retail areas and approximately 228,100 square feet were of commercial. During the year, sustained optimistic sentiment on both the commercial and retail markets has driven for increased demand for quality shops. Total rental income amounted to HK$238,388,000 (2010: HK$225,442,000), representing an increase of approximately 5.7% as compared to the same period last year and accounting for 26.4% of the turnover for the year. The Group's flagship rental property, Soundwill Plaza recorded very pleasing rental performance, with an occupancy rate of 99% for the year, bringing in a rental income of HK$194,587,000. In 2011, approximately 26.0% of the lease became due, with the renewal rate maintained at high levels. In the forthcoming year, the Group will commit to enhancing the retail rental portfolio, step up marketing efforts and improve auxiliary facilities, with the aims of providing new consumption experience, meeting different needs of customers, in order to maintain the quality of being a grade A commercial building.

The Group will pursue the best development plan according to specific properties' location, area and other specifications based on the principle of maximizing the commercial value.

Benefited from the ever-increasing number of mainland visitors to Hong Kong and the blossoming retail market under the stimulation of the strong consumption power of mainland visitors, the shop rental levels in Hong Kong have been pushed to record highs. Russell Street in Causeway Bay, on which the Group's flagship rental project, Soundwill Plaza locates, has become one of the most expensive streets in the world in terms of rental level. The lease of one street-level retail shop under the project was newly signed in 2011, with the rentals increased by more than double of the existing amount. These have driven for new highs in the rentals of the property, realizing one of the most stable income sources for the Group currently.

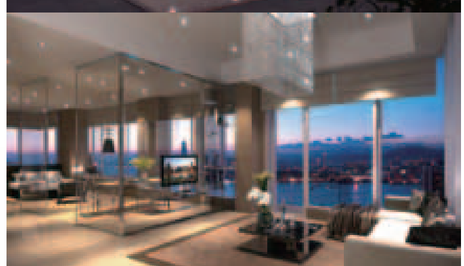
PROPERTY DEVELOPMENT

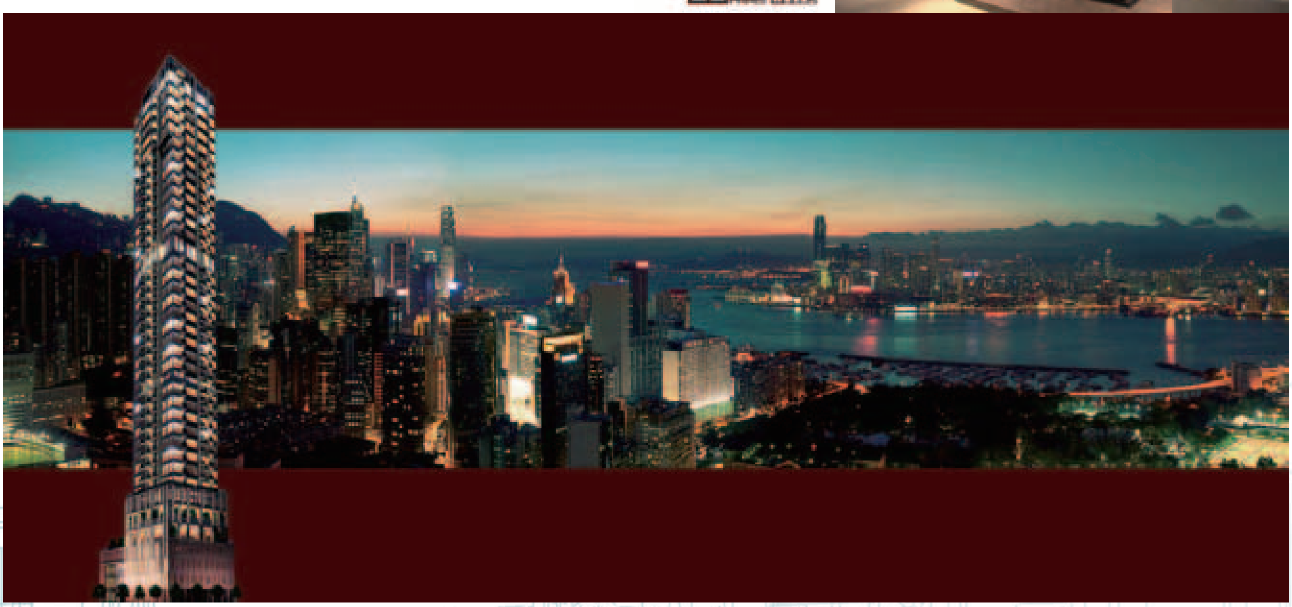
Targeted at further expanding profitability and room for development for the Group and consolidating the Group's position in the property market, we will proactively and meticulously select sites with relatively high appreciation potential for self-development. The Group will continue to develop different categories of quality projects in order to cater for the needs of different buyers, build an outstanding brand paralleled by outstanding quality, enhancing the profit margin of development projects, and establishing its projects as the preferred choice of the buyers.

RESIDENTIAL PROJECTS

WarrenWoods

The new luxury residential project, WarrenWoods is situated on 13-27 Warren Street, Tai Hang, and comprises a total of 164 residential units with multi-dimensional design. Stunning performance was recorded, with 162 units of which sold, realizing approximately HK$1,212,000,000 and the remaining 2 top-floor penthouse units were retained for as property for sale upon completion. As at the end of the year, the Group has received proceeds from flat sale of approximately HK$409,272,000 and the remaining approximately HK$802,728,000 to be received upon delivery of the properties by mid-2012. Since new height limits have been imposed on buildings in the district, it is anticipated that the project will become the new landmark in Tai Hang, with the 2 top-floor penthouse units enjoying permanent view of the Victoria Harbour and the panoramic view spanning from the Hong Kong Stadium to Jardine's Lookout. The project is approaching occupation phase, and occupation is expected in mid-2012, locking in lucrative profits for the Group.





Operations Review and Prospects

Park Haven

The brand new luxurious residential project, Park Haven is located at 32-50 Haven Street, Causeway Bay. Aimed at expanding the Group's boutique-style luxury residential portfolio, this exceptional luxurious stately residence project is seated in the deluxe area at Lee Garden, Causeway Bay, which encompasses the astounding view of the Victoria Harbour, and the greens spanning from the Hong Kong Stadium to Jardine's Lookout. The property is adjacent to the MTR Causeway Bay Station and the energetic shopping areas, and shares the same locality with numerous international top brand names and private clubs.

The project provides approximately 190 residential units, with a standard unit ranges from 510 to 1,154 square feet in size, designed in 1 to 3 room layouts. There are also 4 special units to cater for the needs of different buyers.

曦巒
PARK
HAVEN
NO.38 HAVEN STREET

COMMERCIAL PROJECTS

1-29 Tang Lung Street, Causeway Bay

The site at 1-29 Tang Lung Street has commenced construction and development, with a total site area of approximately 12,500 square feet and a buildable gross floor area of approximately 148,800 square feet. It will be self-developed into a Ginza-style commercial building that integrates retails, restaurant and office in one, and is expected to be completed in the second half of 2013. The project is located in the core shopping area in Causeway Bay, within short distance to Soundwill Plaza, Times Square and Hysan Place to create synergy and further stimulate the pedestrian flow in the district upon completion, while bringing remarkable return to the Group.

11-13 Sharp Street East and 1-1A Yiu Wah Street, Causeway Bay

Sitting on 11-13 Sharp Street East and 1-1A Yiu Wah Street, Causeway Bay, it has a total site area of approximately 3,200 square feet, and a buildable gross floor area of approximately 48,000 square feet. It will be developed into a complex commercial project that integrates retails and office in one. It will become the preferred choice of international renowned brands with its street-level retail shops facing the Times Square.

In the future, the Group will wisely deploy our land resources and explore the best development plans to cater for changes in the market environment and unleashing the highest commercial value of the project. Simultaneously, the Group will capture opportunities in a scrupulous approach to allow for stable growth of its business and realization of the optimized return for its shareholders.

Operations Review and Prospects

PROPERTY MANAGEMENT, E&M AND BUILDING MAINTENANCE

The property management and maintenance subsidiaries under the Group capitalize on their extensive experience and professional service to provide quality maintenance and property management services for property facilities of large-scale commercial buildings, small to medium sized residential properties, estates and shopping malls. Over the years, the Group has emphasized on talent training and provided ample room for career development to its staff. The Group has also organized a competition for "Outstanding Property Management Staff/Quality Service Award" as a recognition for the outstanding performance of its staff, with the objective of building a strong team spirit. Turnover of this segment approximately HK$16,379,000 in 2011, accounting for 1.8% of the Group's turnover for the year.

BUSINESS IN MAINLAND CHINA

Urban Infrastructure Development

Soundwill Infrastructure Limited provides the underground telecommunication pipelines construction business in a number of PRC cities such as Nanchang, Xi'an, Jingdezhen, Yuxi, and cooperates with the local governments in development projects and lays cable networks for information data transmission for its clients and other telecommunication and commercial purposes. Our client base mainly telecom operators such as China Mobile, China Telecom and China Unicom. Soundwill Infrastructure Limited has recorded a total turnover of approximately HK$79,371,000 in 2011, accounting for 8.8% of the Group's turnover for the year.

Real Estate Development

In view of changes in the international economy and sustained inflation in China, the Central Government has successively promulgated new stringent control policies on the property market to cope with the economic crises. The regulation policies on the real estate and financial sectors will continue for some time in the future, posing relatively significant effect on the price and trading level in the property market. However, given that the mainland market is equipped with sound fundamentals, sustained urbanization, strong economy and robust demands, the medium to long term prospects of the property market remain optimistic.

Over 60% of the units of Long Feng Chun Xiao, a joint development with its partners in Doumen, Zhuhai that launched pre-sale last year, has been sold up to date, and the remaining units will continue to be put on market for sale. The proceeds will be accounted successively, contributing to the Group's profits in the forthcoming years.

Long Feng Chun Xiao, Doumen, Zhuhai

Operations Review and Prospects

During the year, the Group has also launched a number of residential projects. Of which, the boutique-style residential project, Soundwill • LingDu (Jin Hui Lou) in Zhangtai County, Fujian Province wholly-owned by the Group will be delivered to buyers during 2012.

"The Lakeview Bay" is located in Gaoyao of Zhaoqing Municipal, which is a intergrated villa and high-rise residential project. For the first phase of development, the project consists 140 twin-house villas, which its construction will be completed in phase from 2012. The project is backed by hilly greens and overlooks the vast Xijiang River. The first phase of market launch was moderately affected during the time when the Central Government promulgated the control policies to curb the flourishing property market from August to October 2011, with the price and sales levels both below expectation. The Group will adjust its marketing strategies in view of the market situation, and the remaining batches will be launched for sale in phase in response to the market performance.

Results of Operations

For the year ended 31 December 2011, the Group has recorded a turnover of approximately HK$901,690,000 (2010: HK$913,714,000), a slightly decrease as compared with last year. It mainly consisted of income from property assembly, leasing rental, property management in Hong Kong and urban infrastructure as well as recognition of property sales income in PRC.

The increase in administrative expense was mainly due to increase in staff cost as result of the expansion of both property assembly and property development department in Hong Kong. Besides, increase in other income also due to written back of litigation provision as well as commission income. Furthermore, the increase in fair value adjustment of investment properties was due to the revaluation gain of our core investment property, Soundwill Plaza.

As a result of the growth in property assembly business and our own developing projects, more project financing was arranged in order cope with the growth. Hence, the interest expense was increased accordingly together with the slightly increase in average borrowing cost.

Profit Attributable to Owners of the Company

During the year, the Group has achieved a profit attributable to owners of the Company of approximately HK$2,111,219,000 (2010: HK$2,059,658,000 (restated)), an increase of 2.5% as compared with last year. This increase was mainly due to a gain on fair value adjustments on investment properties during the year.

Net Assets

The total net asset of the Group as at 31 December 2011 amounted to HK$10,277,734,000 (2010: HK$7,872,806,000 (restated)). Increase in net asset mainly due to increase in investment properties and property under development. Net asset per share as at 31 December 2011 is HK$37.38 (2010: HK$32.6 (restated)).

Operations Review and Prospects

CORPORATE CITIZEN

The Group has always strived to fulfill its social responsibilities and has committed itself to serving the community. In an effort to performing its obligations as a "Caring Company", the Group actively participates in charity fundraising and encourages its staff to participate in different charity activities and social services, with the aim to propagate the spirit of building a caring community. Moreover, the Group efforts to promote environmental protection practices and has always been devoted to implementing such environmental protection practices in the properties under the Group through construction plans, energy-saving and various management measures by different means, in order to establish an energy-saving working environment. In addition, the Group has proactively participated in public welfare activities, including:

Sponsoring and taking part in the Walk for the Environment 2011 for the Conservancy Association, to help the community people arouse environmental protection awareness and nature loving messages

Sponsoring and taking part in the Concert of Tung Chung Youth Marching Band (東涌青少年步操樂團演奏會) held by Hong Kong Outlying Islands Women's Association to proactively support culture exchanges in society

Jointly organizing the exhibition and photo contest "The Age of Chinese Tenements in Hong Kong" with Hong Kong Culture Heritage Studies and Promotion, to provide an opportunity for the public to know people's living in the past and the cultural development of our society. The activity was widely covered in the media.

Sponsoring and taking part in the Family Story Telling program organized by Hong Kong Outlying Islands Women's Association which teaches positive attitudes to children at school through story-telling, and spreads the spirit of community care.

商界展關懷 caringcompany 2011/12
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

As a good corporate citizen, the Group will continue to support charity activities and perform its social responsibilities in the future.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTORS RELATIONSHIP

The Group believes that effective communication with shareholders is an important part in enhancing investor relationship and promoting investors' understanding for the Company's business performance and strategies. Also, the Group is of the view that transparent and timely disclosure of information on the Group helps shareholders and investors making the most informed investment decisions.

The Group is devoted to enhancing corporate governance on business growth, and strives to attain a balance between corporate governance and performance. The board of directors believes that sound corporate governance is crucial to the success of the Company and the enhancement of shareholders' value.

Operations Review and Prospects

PROSPECTS

2012 is the election year for many countries, and it is expected that the economic situation will be relatively volatile. As Hong Kong is a highly open economic system, it will unavoidably be subject to the influence of external factors. However, with the expected clear up of the European sovereignty debt crisis, coupled with the advantage of strong support for Hong Kong by China, the Group has full confidence in the property market in the long run against the background of low interest rate versus high inflation rate, sustained increases in the rental level in core areas, and far more favorable rental return from quality properties located in prime areas in the city center as compared to interest income from bank deposits.

Given new record-highs in the number of visitors to Hong Kong and the blooming retail market as stimulated by the strong consumption power of mainland visitors, international top-tier big brand names fight to make their presence within the premier shopping areas despite high prices, and the demand for retail shops in the core areas in Hong Kong continues to exceed the supply. As such, the retail rentals is expected to remain on an upward trend, and the Group is highly confident in the rental prospects of its properties. Apart from the flagship rental project, Soundwill Plaza, the Group's commercial project at 1-29 Tang Lung Street, Causeway Bay is also scheduled for completion in mid-2013 to realize synergistic effect and help broadening and increasing the Group's source of stable income.

In view of the Group's existing acquisition targets and the progress of property construction plans, it is expected that a number of projects will enter the harvest period in the coming two to three years. Looking ahead, the Group will continue to strive for perfection in every aspect of our operation, with a commitment to enhance its management, planning, implementation and corporate governance to the world level for sustained results and attainment of more fruitful results, in order to reap abundant return for its shareholders.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2011, the Group's cash and bank balances amounted to HK$571,944,000 (2010: HK$217,779,000). Total borrowings of the Group amounted to HK$3,509,413,000 (2010: HK$3,092,288,000) as at 31 December 2011.

During the year under review, the Group has received further proceeds of approximately HK$68,141,000 from the buyers of the brand new luxury residential project, WarrenWoods in the first half of 2011. As at 31 December 2011, the accumulated amount received was HK$409,272,000.

As at 31 December 2011, the Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 34% (2010: 39% (restated)). As at 31 December 2011, the net assets of the Group amounted to HK$10,277,734,000 (2010: HK$7,872,806,000 (restated)), representing an increase of HK$2,404,928,000. The increase was mainly attributable to increases in properties held for sale and properties under development.

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

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

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

In April and June 2011, the Company, by way of top-up placings, allotted 9,000,000 shares and 10,000,000 shares respectively to institutional investors and individual investors, all of whom are third parties independent of the Company and its connected persons.

CONTINGENT LIABILITIES

(a) During the course of business, certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the reporting date, those bank balances which were held on behalf of third parties and were not accounted for in the books of account and financial statements of the Group amounted to HK$4,322,000 (2010: HK$4,816,000).

(b) Since the Group commenced legal proceedings HCA 1902/2009 against a joint venture partner in 2009, with whom the Group has a joint venture agreement for the development and construction of village houses in the New Territories, the Group filed an amended statement of claim in November 2011. The exchange of pleadings are still ongoing and the trial date is yet to be fixed by court.

According to the legal advice taken by the Group, the Directors are of the opinion that the Group has a fair chance to succeed in the lawsuit and hence no provision was made for this legal proceeding as at reporting date.

EMPLOYEES REMUNERATION

The Group had 122 and 254 employees in Hong Kong and Mainland China respectively as at 31 December 2011. Employees were remunerated on the basis of their performance, experience and prevailing market practice. Remuneration packages comprise salary, medical insurance, mandatory provident fund and year end discretionary bonus. During the year, share options were also granted to various directors and employees on a performance related basis. Total salaries and wages incurred in 2011, if excluding share option expenses of approximately HK$8,931,000 (2010: HK$8,774,000) were approximately HK$66,125,000 (2010: HK$54,898,000).

Corporate Governance Report

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

BOARD OF DIRECTORS

The board of directors (the "Board") is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management has been delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

Board Composition

The Board was made up of the following directors who, unless otherwise indicated, served throughout the year under review:

Executive directors:

Madam Foo Kam Chu, Grace
Ms. Chan Wai Ling
Mr. Kong Siu Man, Kenny
Mr. Tse Wai Hang *(resigned on 1 December 2011)*
Mr. Lau Kam Kwok, Dickson *(appointed on 29 December 2011)*

Non-executive directors:

Mr. Liang Yanfeng *(resigned on 26 April 2011)*
Mr. Meng Qinghui *(resigned on 26 April 2011)*

Independent non-executive directors:

Mr. Chan Kai Nang
Mr. Kwan Kai Cheong *(resigned on 7 January 2011)*
Mr. Pao Ping Wing
Mr. Ng Chi Keung *(appointed on 18 March 2011)*

Board Meetings and Attendance

During the year, the Board met four times with attendance as follows:

Directors	**Attendance**
Madam Foo Kam Chu, Grace	4/4
Ms. Chan Wai Ling	4/4
Mr. Kong Siu Man, Kenny	4/4
Mr. Tse Wai Hang *(resigned on 1 December 2011)*	4/4
Mr. Lau Kam Kwok, Dickson* *(appointed on 29 December 2011)*	0/0
Mr. Liang Yanfeng* *(resigned on 26 April 2011)*	1/1
Mr. Meng Qinghui* *(resigned on 26 April 2011)*	1/1
Mr. Chan Kai Nang	4/4
Mr. Kwan Kai Cheong* *(resigned on 7 January 2011)*	0/0
Mr. Pao Ping Wing	4/4
Mr. Ng Chi Keung *(appointed on 18 March 2011)*	4/4

*Note:** These directors did not serve the whole year under review. The denominator in the attendance column indicates the number of board meeting they were entitled to attend during their term of service.

Mr. Ng Chi Keung has been appointed as Independent Non-executive Director of the Company since 18 March 2011. The relevant announcement was published on the same date.

Mr. Liang Yanfeng and Mr. Meng Qinghui resigned as Non-executive Directors of the Company on 26 April 2011. The relevant announcement was published on the same date.

Mr. Tse Wai Hang resigned as Executive Director of the Company on 1 December 2011. The relevant announcement was published on the same date.

Mr. Lau Kam Kwok, Dickson has been appointed as Executive Director of the Company from 29 December 2011. The relevant announcement was published on the same date.

The biographies of the directors are set out in pages 6 to 7, which demonstrate a diversity of skills, expertise, experience and qualifications.

The Company has received annual confirmation of independence from the independent non-executive directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive directors are independent within the definition of the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Madam Foo Kam Chu, Grace is the founder and the Chairman of the Group. She is responsible for the Group's overall development direction and strategies. The Chairman ensures the Board function effectively and discharge its responsibilities. There is no chief executive officer appointed and the daily operations of the Group are delegated to other executive directors, the management and various department heads.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's bye-laws (the "Bye-laws"). All directors, including the executive and non-executive directors, shall retire from office by rotation and are eligible for re-election at annual general meetings.

In accordance with the Bye-laws, not less than one-third of the directors for the time being will retire from office by rotation at each annual general meeting, provided that every director shall be subject to retirement by rotation at least once every three years. Any director appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the following general meeting and annual general meeting respectively of the Company and shall then be eligible for re-election at such meetings.

RESPONSIBILITIES OF DIRECTORS

Every newly appointed director is ensured to have a proper understanding of the operations and business of the Group and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company. The directors are continually updated with legal and regulatory developments, business and market changes and the strategic development of the Group to facilitate the discharge of their responsibilities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct (the "Model Code") regarding securities transactions by directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, and that having made specific enquiry of all directors, the Company confirms that all the directors have complied with the Model Code.

SUPPLY OF AND ACCESS TO INFORMATION

In respect of regular board meetings, and so far as practicable in all other cases, an agenda and accompanying board papers are sent in full to all directors in a timely manner and at least 3 days before the intended date of a board meeting or board committee meeting.

All directors are entitled to have access to board papers, minutes and related materials.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

In determining the remuneration levels and packages to the directors and senior management, the Company took into account the prevailing practices and trends and to reflect on the time commitment, duties and responsibilities of the directors and senior management and their contributions to the Company and the Group. Long term inducements in the form of share options and performance bonuses were also employed.

The Remuneration Committee of the Board was set up on 12 September 2005 with written terms of reference.

Its function is to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. It also recommends to the Board on remuneration and compensation levels of individual directors and those for members of senior management.

Members of the Remuneration Committee during the year include the following directors:

Mr. Kwan Kai Cheong *(Chairman) (resigned on 7 January 2011)*
Mr. Chan Kai Nang *(Chairman)*
Mr. Pao Ping Wing
Mr. Ng Chi Keung *(appointed on 18 March 2011)*
Ms. Chan Wai Ling

During the year, the Remuneration Committee convened two meetings to review and recommend (with the relevant directors where applicable abstained from voting as far as his/her own remuneration is concerned so that no director would decide on his/her own remuneration) the remuneration level of executive directors.

Director	**Attendance**
Mr. Kwan Kai Cheong* *(resigned on 7 January 2011)*	0/0
Mr. Chan Kai Nang	2/2
Mr. Pao Ping Wing	2/2
Mr. Ng Chi Keung* *(appointed on 18 March 2011)*	1/1
Ms. Chan Wai Ling	2/2

*Note:** The directors did not serve the whole year under review. The denominator in the attendance column indicates the number of remuneration committee meeting they were entitled to attend during their term of service.

INTERNAL CONTROL

During the year, the Directors have conducted review of the effectiveness of the internal control system covering material controls, including financial, operational and compliance controls and risk management functions.

AUDIT COMMITTEE

The Audit Committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting including the interim and final results of the Company. It also acts as an important link between the Board and the Company's auditors in matters within the scope of the audit of the Group.

Members of the Committee during the year include the following independent non-executive directors:

Mr. Chan Kai Nang *(Chairman)*
Mr. Kwan Kai Cheong *(resigned on 7 January 2011)*
Mr. Pao Ping Wing
Mr. Ng Chi Keung *(appointed on 18 March 2011)*

Mr. Chan Kai Nang is a senior professional accountant who possesses professional accountancy qualification.

During the year, the Audit Committee met twice. The final results for the year ended 31 December 2010 and the interim results for the six months ended 30 June 2011 have been reviewed and commented by the Audit Committee.

Director	**Attendance**
Mr. Chan Kai Nang	2/2
Mr. Kwan Kai Cheong* *(resigned on 7 January 2011)*	0/0
Mr. Pao Ping Wing	2/2
Mr. Ng Chi Keung* *(appointed on 18 March 2011)*	1/1

*Note:** The directors did not serve the whole year under review. The denominator in the attendance column indicates the number of audit committee meeting they were entitled to attend during their term of service.

AUDITOR'S REMUNERATION

During the year, the fee incurred for audit and non-audit services for the Group are approximately HK$2,901,000 and HK$432,000 respectively.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. The directors are not aware of any material uncertainties relating to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

Report of the Directors

The Directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries include property assembly, property development, property leasing and provision of building management services in Hong Kong and urban infrastructure development and property development in the Mainland. Other particulars of the subsidiaries are set out in note 47 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 and the state of the Group's and the Company's affairs as at that date are set out in the financial statements on pages 37 to 133.

The Board recommends a payment of a final dividend of HK$0.13 (2010: HK$0.10) per share for the year ended 31 December 2011, subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 16 May 2012. The final dividend will be payable on or about 19 June 2012 to shareholders whose names appear on the register of members on 23 May 2012.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 18 to the financial statements.

SUBSIDIARIES

Particulars of the Group's principal subsidiaries are set out in notes 20 and 47 to the financial statements.

BORROWINGS

Particulars of the borrowings of the Group at the reporting date are set out in note 33 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 35 to the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 44 and 45 and in note 36 to the financial statements respectively.

SHARE OPTIONS

Particulars of the share options granted are set out in note 37 to the financial statements.

PROPERTIES/PROPERTIES UNDER DEVELOPMENT

Particulars of the major properties held by the Group and properties under development of the Group are set out on pages 134 and 135.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 136.

DIRECTORS

The Directors of the Company are listed on page 2. The Directors' biographical information is set out on pages 6 to 7.

Pursuant to Bye-laws 86(2) & 87(1), Mr. Kong Siu Man, Kenny, Mr. Lau Kam Kwok, Dickson and Mr. Pao Ping Wing, existing Directors of the Company will be retiring from office at the forthcoming annual general meeting and shall be eligible for re-election.

Mr. Kwan Kai Cheong resigned as Independent Non-executive Director on 7 January 2011.

Mr. Ng Chi Keung was appointed as Independent Non-executive Director on 18 March 2011.

Mr. Liang Yanfeng and Mr. Meng Qinghui resigned as Non-executive Directors on 26 April 2011.

Mr. Tse Wai Hang resigned as Executive Director on 1 December 2011.

Mr. Lau Kam Kwok, Dickson was appointed as Executive Director on 29 December 2011.

DIRECTORS' SERVICE CONTRACTS

Non-Executive Directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

1. Directors' Interests in the Company

As at 31 December 2011, the interests of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which are required to be (i) notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Long positions in the shares:

Name of Director	Capacity	Number of Shares	Approximate Percentage of Shareholding
Foo Kam Chu, Grace	Interest of controlled corporation	187,088,028 *(Note)*	68.05
	Beneficial owner	96,602	0.04

Note: These 187,088,028 shares represented the aggregate of (i) 185,672,028 shares held by Ko Bee Limited and (ii) 1,416,000 shares held by Full Match Limited, all the aforesaid companies are ultimately owned and controlled by Madam Foo Kam Chu, Grace.

(ii) Long positions in underlying shares of equity derivatives of the Company — interests in share options of the Company (being granted and remained outstanding):

Name	Capacity	Number of Shares in the Option	Exercisable Period	Price of Grant *(HK$)*	Subscription Price per Share *(HK$)*
Foo Kam Chu, Grace	Beneficial owner	600,000	12/11/2011 to 21/07/2012	1.00	8.15
		550,000	06/12/2012 to 05/12/2015	1.00	8.71
Chan Wai Ling	Beneficial owner	2,000,000	12/11/2011 to 21/07/2012	1.00	8.15
		2,000,000	06/12/2012 to 05/12/2015	1.00	8.71
Kong Siu Man, Kenny	Beneficial owner	120,000	09/11/2010 to 21/07/2012	1.00	4.94
		250,000	12/11/2011 to 21/07/2012	1.00	8.15
		300,000	06/12/2012 to 05/12/2015	1.00	8.71
Lau Kam Kwok, Dickson	Beneficial owner	30,000	12/11/2011 to 21/07/2012	1.00	8.15
		120,000	06/12/2012 to 05/12/2015	1.00	8.71

DIRECTORS' INTERESTS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES *(Continued)*

2 . Directors' Interests in Associated Corporations

Name of Director	Name of Associated Corporation	Capacity	Number and Class of Shares	Percentage of Shareholding
Foo Kam Chu, Grace	Ko Bee Limited	Beneficial owner	1 ordinary share	100
Foo Kam Chu, Grace	Full Match Limited	Beneficial owner	1 ordinary share	100

Save as disclosed above, as at 31 December 2011, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed above and note 37 to the financial statements, at no time during the year ended 31 December 2011, were rights to subscribe for equity or debt securities of the Company granted to any Director or chief executive of the Company or to the spouse or children under 18 years of age of any such Director or chief executive as recorded in the register required to be kept under Part XV of the SFO, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable any such persons to acquire any such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the persons other than a Director or chief executive of the Company who have an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, were as follows:

1. Long positions in the Shares

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage of Shareholding
Ko Bee Limited	Beneficial owner	187,088,028	68.05

Save as disclosed above, as at 31 December 2011, the Company has not been notified of any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in (i) the paragraph under the heading of "Directors' Right to Acquire Shares and Debentures" above and (ii) paragraphs (a) to (d) under the heading of "Related Party Transactions" in note 42 to the financial statements, no contracts of significance in relation to the Company's business to which the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, approximately 6% of the Group's purchases were attributable to the Group's largest supplier and approximately 9% of the Group's purchases were attributable to the Group's five largest suppliers.

During the year, approximately 51% of the Group's turnover was attributable to the Group's largest customer and approximately 65% of the Group's turnover was attributable to the Group's five largest customers.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or customers.

CONNECTED TRANSACTIONS

During the year, other than those the disclosure of which are exempted pursuant to Rule 14A.31 and 14A.65 of the Listing Rules (details of such connected transactions being also related party transactions are mentioned in note 42 to the financial statements), the Group has entered into the following connected transaction:

On 11 July 2011, Elite Rich Properties Limited (as purchaser) incorporated in Hong Kong, an indirect wholly-owned subsidiary of the Company, entered into an agreement with Madam Chan Pui Fan (as vendor) for the purchase of residential unit situated at 6th Floor, 124A Tung Lo Wan Road, Hong Kong ("Unit") at the consideration of HK$5,500,000. Madam Chan Pui Fan is sister-in-law of Madam Foo Kam Chu Grace, Chairman and the executive Director of the Company and is aunt of Ms. Chan Wai Ling, the executive Director of the Company. Madam Chan Pui Fan is therefore regarded as connected person of the Company. As such, the purchase of the Unit constituted a connected transaction for the Company and the details thereof were disclosed in the announcement dated 11 July 2011 published in accordance with Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Certain wholly-owned subsidiaries of the Company entered into leases with the landlord 廣州廣盛置業有限公司 (Guangzhou Guangxing Land Investment Company Limited) (the "Landlord") in respect of Units 1613-1616, (the "Existing Lease" and the "2nd Lease"), Units 816-819 (the "1st Lease"), Units 810-811 (the "3rd Lease") of International Bank Centre, 191 Dong Feng Xi Road, Guangzhou, the PRC. Details thereof were disclosed in the Company's announcement dated 31 March 2010.

The Existing Lease and the 2nd Lease were duly performed and expired on 31 March 2010 and 30 June 2010 respectively. The 3rd Lease was terminated by a cancellation agreement dated 25 March 2011 and details thereof were disclosed in the Company's announcement dated 25 March 2011.

The 1st Lease was for a term until 31 March 2011, with an option for Soundwill Real Estate (China) Limited to renew until 31 December 2011. Such option has been exercised.

Each of the Independent Non-executive Directors has reviewed the continuing connected transactions conducted under the 1st Lease and confirms that the relevant transactions (the "1st Lease Transactions") were entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms; and

(3) in accordance with the lease agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The independent auditor of the Company has confirmed to the Board that:

(1) the 1st Lease Transactions have been approved by the Company's Board of Directors;

(2) the 1st Lease Transactions have been entered into in accordance with the lease agreement governing the transactions; and

(3) the aggregate amount of the 1st Lease Transactions has not exceeded the maximum aggregate annual value disclosed in the Company's announcement dated 31 March 2010 in respect of the continuing connected transactions.

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, it is confirmed that there is sufficient public float of the Company's shares in the market as at the date of this report.

AUDITOR

Due to a merger of the businesses of Grant Thornton ("GTHK") and BDO Limited ("BDO") to practice in the name of BDO as announced by the Company on 2 December 2010, GTHK resigned and BDO was appointed as auditor of the Company effective from 2 December 2010.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as auditor of the Company.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Monday, 14 May 2012 to Wednesday, 16 May 2012 (both dates inclusive). In order to determine the shareholders who are entitled to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. Friday, 11 May 2012.

CLOSURE OF REGISTER OF MEMBERS FOR DIVIDEND

The register of members of the Company will be closed from Tuesday, 22 May 2012 to Wednesday, 23 May 2012 (both dates inclusive), during which no transfer of share will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. Monday, 21 May 2012.

By order of the Board
Foo Kam Chu, Grace
Chairman

Hong Kong, 21 March 2012

Independent Auditor's Report

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To the shareholders of Soundwill Holdings Limited
金朝陽集團有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Soundwill Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 37 to 133, which comprise the consolidated and company statements of financial position as at 31 December 2011, and 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 are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of 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. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Li Wing Yin
Practising Certificate Number P05035

Hong Kong, 21 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Turnover	6	**901,690**	913,714
Cost of sales		**(580,559)**	(446,481)
Gross profit		**321,131**	467,233
Other income	6	**17,231**	7,045
Administrative expenses		**(145,781)**	(114,206)
Other operating expenses		**(3,885)**	(1,632)
(Loss)/Gain on disposal/deregistration of subsidiaries	43	**(2,685)**	7,520
Net gain on fair value adjustments on investment properties	17	**2,032,888**	1,769,570
Gain on disposal of an investment property	17	**461**	1,061
Gain on disposal of available-for-sale financial assets		**–**	15,331
Profit from operations		**2,219,360**	2,151,922
Finance costs	8	**(35,100)**	(28,033)
Share of losses of a jointly-controlled entity	21	**(838)**	(910)
Profit before income tax	9	**2,183,422**	2,122,979
Income tax expense	12	**(64,372)**	(56,551)
Profit for the year		**2,119,050**	2,066,428
Other comprehensive income	14		
Exchange gain on translation of financial statements of foreign operations		**9,028**	12,771
Amount recognised in profit or loss on disposal/ deregistration of foreign subsidiaries		**–**	(281)
Surplus on revaluation of leasehold building		**2,482**	4,728
Deferred tax liabilities arising from asset revaluation reserve of leasehold building		**(409)**	(780)
Other comprehensive income for the year		**11,101**	16,438
Total comprehensive income for the year		**2,130,151**	2,082,866

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 *HK$'000*	2010 *HK$'000* (Restated)
Profit for the year attributable to:			
— Owners of the Company	*13*	**2,111,219**	2,059,658
— Non-controlling interests		**7,831**	6,770
		2,119,050	2,066,428
Total comprehensive income attributable to:			
— Owners of the Company		**2,122,182**	2,076,014
— Non-controlling interests		**7,969**	6,852
		2,130,151	2,082,866
Earnings per share for profit attributable to owners of the Company during the year	*16*		
— Basic		**HK$8.05**	HK$8.57
— Diluted		**HK$8.00**	HK$8.43

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties	17	11,038,428	10,061,908	7,143,620
Property, plant and equipment	18	160,118	60,091	54,431
Properties held for development	19	46,672	47,278	52,845
Interest in a jointly-controlled entity	21	45,260	44,288	43,402
Available-for-sale financial assets	22	10	10	10
Intangible assets	23	6,284	6,631	6,772
Goodwill	24	–	–	–
Deposit for property development		–	–	10,511
		11,296,772	10,220,206	7,311,591
Current assets				
Inventories	25	43,022	37,374	37,449
Properties held for sale	26	38,400	–	89,102
Properties under development	27	2,435,382	775,675	489,207
Trade and other receivables	28	122,328	163,290	70,760
Available-for-sale financial assets	22	–	–	49,666
Deposits paid for acquisition of properties		7,557	52,495	7,462
Bank deposit at escrow account	29	185,675	237,766	–
Cash and cash equivalents	30	571,944	217,779	143,811
		3,404,308	1,484,379	887,457
Current liabilities				
Trade and other payables	31	312,427	233,511	234,315
Deposit received in advance	32	528,509	421,785	29,475
Borrowings	33	3,509,413	3,092,288	2,103,733
Provision for income tax		13,943	33,822	15,491
		4,364,292	3,781,406	2,383,014
Net current liabilities		(959,984)	(2,297,027)	(1,495,557)

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
Total assets less current liabilities		**10,336,788**	7,923,179	5,816,034
Non-current liabilities				
Deferred tax liabilities	*34*	**59,054**	50,373	43,798
		59,054	50,373	43,798
Net assets		**10,277,734**	7,872,806	5,772,236
EQUITY				
Equity attributable to owners of the Company				
Share capital	*35*	**27,494**	24,146	24,003
Reserves	*36*	**10,151,273**	7,757,662	5,691,645
		10,178,767	7,781,808	5,715,648
Non-controlling interests		**98,967**	90,998	56,588
Total equity		**10,277,734**	7,872,806	5,772,236

Foo Kam Chu, Grace
Director

Chan Wai Ling
Director

Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	20	**545,000**	545,000
Current assets			
Amount due from a subsidiary	20	**267,356**	–
Other receivables		**291**	291
Bank balances and cash		**139**	33
		267,786	324
Current liabilities			
Accrued expenses and other payables		**196**	355
		196	355
Net current assets/(liabilities)		**267,590**	(31)
Net assets		**812,590**	544,969
EQUITY			
Share capital	35	**27,494**	24,146
Reserves	36	**785,096**	520,823
Total equity		**812,590**	544,969

Foo Kam Chu, Grace
Director

Chan Wai Ling
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Profit before income tax		2,183,422	2,122,979
Adjustments for:			
Share of losses of a jointly-controlled entity	21	838	910
Bank interest income		(1,210)	(403)
Interest expenses	8	35,100	28,033
Depreciation of property, plant and equipment	18	4,479	3,870
Amortisation of properties held for development	19	1,135	2,107
Amortisation of intangible assets	23	471	360
Equity-settled share based payment expenses		8,931	8,774
Write-back of provision for loss in litigation		(5,348)	—
(Reversal of)/provision for obsolete inventories		(1,124)	548
Provision for/(reversal of) impairment loss of trade receivables		743	(1,768)
Bad debts written off		251	—
Deposits for property acquisition written off		924	724
Reversal of provision for impairment loss of other receivables		—	(1,178)
Write-back of other receivables		—	(1,256)
Loss/(Gain) on disposal of property, plant and equipment		128	(19)
Property, plant and equipment written off	18	58	417
Net gain on fair value adjustments on investment properties	17	(2,032,888)	(1,769,570)
Gain on disposal of an investment property		(461)	(1,061)
Gain on disposal of available-for-sale financial assets		—	(15,331)
Loss/(Gain) on disposal/deregistration of subsidiaries		2,685	(7,520)
Operating profit before working capital changes		198,134	370,616
Decrease/(Increase) in trade and other receivables		36,863	(76,480)
Decrease/(Increase) in deposits paid for acquisition of properties		44,014	(45,757)
Increase in inventories		(4,524)	(673)
Decrease in properties held for sale		457,260	327,765
Increase in properties under development		(273,696)	(172,438)
Decrease/(Increase) in bank deposit at escrow account		52,091	(237,766)
Increase in trade and other payables		83,814	39,429
Increase in deposit received in advance		106,724	392,310
Purchase of net assets, net of cash acquired	44	—	(65,203)
Net cash generated from operations		700,680	531,803
Interest paid		(52,959)	(39,279)
Income tax paid		(55,264)	(29,652)
Net cash generated from operating activities		592,457	462,872

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from investing activities			
Additions to property, plant and equipment	18	(4,504)	(5,134)
Increase in amount due from a jointly-controlled entity		(1,810)	(1,796)
Proceeds from disposal of property, plant and equipment		370	96
Net proceeds from disposal of an investment property		3,121	2,511
Payment to acquire investment properties	17	(902,467)	(1,382,646)
Payment to acquire properties held for development	19	(310)	(9,000)
Net cash (outflow)/inflow from disposal/deregistration of subsidiaries	43	(20,855)	13,274
Bank interest received		1,210	403
Net cash used in investing activities		(925,245)	(1,382,292)
Cash flows from financing activities			
Repayments of bank loans		(1,296,332)	(883,212)
Repayments of other loans		(289,640)	(66,692)
Bank loans raised		1,779,827	1,805,397
Other loans raised		223,270	133,062
Capital injection from minority shareholders		—	21,169
Proceeds from issue of the Placing Shares	35	230,000	—
Issue expenses of the Placing Shares	35	(1,529)	—
Proceeds from exercise of share options		62,467	5,415
Final dividend paid	15(b)	(25,092)	(24,043)
Net cash generated from financing activities		682,971	991,096
Increase in cash and cash equivalents		350,183	71,676
Cash and cash equivalents at 1 January		217,779	143,811
Effect of foreign exchange rate changes, net		3,982	2,292
Cash and cash equivalents at 31 December		571,944	217,779

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Equity attributable to owners of the Company			
	Share capital	Share premium	Asset revaluation reserve	Employee share-based equity reserve
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2011, as previously stated	**24,146**	**294,619**	**32,822**	**23,600**
Effect of change in early adoption of HKAS 12	**–**	**–**	**–**	**–**
At 1 January 2011, as restated	**24,146**	**294,619**	**32,822**	**23,600**
Placing of shares *(note 35)*	**1,900**	**226,571**	**–**	**–**
Exercise of share options	**1,448**	**82,254**	**–**	**(21,235)**
Equity-settled share-based payment *(note 37)*	**–**	**–**	**–**	**8,931**
Final dividend paid for 2010 *(note 15(b))*	**–**	**–**	**–**	**–**
Transactions with owners	**3,348**	**308,825**	**–**	**(12,304)**
Profit for the year	**–**	**–**	**–**	**–**
Other comprehensive income				
Surplus on revaluation of leasehold building, net of deferred tax *(note 14)*	**–**	**–**	**2,073**	**–**
Exchange differences on translation of financial statements of foreign operations *(note 14)*	**–**	**–**	**–**	**–**
Total comprehensive income for the year	**–**	**–**	**2,073**	**–**
Proposed final dividend for 2011 *(note 15(a))*	**–**	**–**	**–**	**–**
Lapse of share options	**–**	**–**	**–**	**(615)**
Under-provision for final dividend for 2010	**–**	**–**	**–**	**–**
At 31 December 2011	**27,494**	**603,444**	**34,895**	**10,681**
At 1 January 2010, as previously stated	24,003	287,498	28,874	16,788
Effect of change in early adoption of HKAS 12	–	–	–	–
At 1 January 2010, as restated	24,003	287,498	28,874	16,788
Exercise of share options	143	7,121	–	(1,849)
Equity-settled share based payment *(note 37)*	–	–	–	8,774
Final dividend paid for 2009 *(note 15(b))*	–	–	–	–
Capital injection from minority shareholder	–	–	–	–
Disposal of subsidiaries *(note 43)*	–	–	–	–
Assets acquisition *(note 44)*	–	–	–	–
Transactions with owners	143	7,121	–	6,925
Profit for the year (restated)	–	–	–	–
Other comprehensive income				
Surplus on revaluation of leasehold building, net of deferred tax *(note 14)*	–	–	3,948	–
Exchange differences on translation of financial statements of foreign operations *(note 14)*	–	–	–	–
Amount recognised in profit or loss on disposal/deregistration of foreign subsidiaries *(note 14)*	–	–	–	–
Total comprehensive income for the year (restated)	–	–	3,948	–
Proposed final dividend for 2010 *(note 15(a))*	–	–	–	–
Lapse of share options	–	–	–	(113)
Under-provision for final dividend for 2009	–	–	–	–
At 31 December 2010, as restated	24,146	294,619	32,822	23,600

Equity attributable to owners of the Company						
Retained profits *HK$'000*	Exchange reserve *HK$'000*	Special reserve *HK$'000*	Proposed final dividend *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
6,201,098	**23,472**	**1,848**	**24,156**	**6,625,761**	**90,998**	**6,716,759**
1,156,047	**–**	**–**	**–**	**1,156,047**	**–**	**1,156,047**
7,357,145	**23,472**	**1,848**	**24,156**	**7,781,808**	**90,998**	**7,872,806**
–	**–**	**–**	**–**	**228,471**	**–**	**228,471**
–	**–**	**–**	**–**	**62,467**	**–**	**62,467**
–	**–**	**–**	**–**	**8,931**	**–**	**8,931**
–	**–**	**–**	**(25,092)**	**(25,092)**	**–**	**(25,092)**
–	**–**	**–**	**(25,092)**	**274,777**	**–**	**274,777**
2,111,219	**–**	**–**	**–**	**2,111,219**	**7,831**	**2,119,050**
–	**–**	**–**	**–**	**2,073**	**–**	**2,073**
–	**8,890**	**–**	**–**	**8,890**	**138**	**9,028**
2,111,219	**8,890**	**–**	**–**	**2,122,182**	**7,969**	**2,130,151**
(35,743)	**–**	**–**	**35,743**	**–**	**–**	**–**
615	**–**	**–**	**–**	**–**	**–**	**–**
(936)	**–**	**–**	**936**	**–**	**–**	**–**
9,432,300	**32,362**	**1,848**	**35,743**	**10,178,767**	**98,967**	**10,277,734**
4,493,081	11,064	1,848	24,023	4,887,179	56,588	4,943,767
828,469	–	–	–	828,469	–	828,469
5,321,550	11,064	1,848	24,023	5,715,648	56,588	5,772,236
–	–	–	–	5,415	–	5,415
–	–	–	–	8,774	–	8,774
–	–	–	(24,043)	(24,043)	–	(24,043)
–	–	–	–	–	21,169	21,169
–	–	–	–	–	(5,116)	(5,116)
–	–	–	–	–	11,505	11,505
–	–	–	(24,043)	(9,854)	27,558	17,704
2,059,658	–	–	–	2,059,658	6,770	2,066,428
–	–	–	–	3,948	–	3,948
–	12,689	–	–	12,689	82	12,771
–	(281)	–	–	(281)	–	(281)
2,059,658	12,408	–	–	2,076,014	6,852	2,082,866
(24,156)	–	–	24,156	–	–	–
113	–	–	–	–	–	–
(20)	–	–	20	–	–	–
7,357,145	23,472	1,848	24,156	7,781,808	90,998	7,872,806

1. GENERAL INFORMATION

Soundwill Holdings Limited (the "Company") is a limited liability company incorporated and domiciled in Bermuda. The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 47 to the financial statements.

The directors of the Company (the "Directors") consider the Company's ultimate holding company to be Ko Bee Limited, which is incorporated in the British Virgin Islands with limited liability.

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

2.1 Adoption of new/revised HKFRSs — effective 1 January 2011

In the current year, the Company and its subsidiaries (the "Group") have applied for the first time the following revision and amendment to standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 3 (Revised)	Business Combination
HKFRS 7 (Amendments)	Disclosure — Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

HKFRS 3 (Revised) — Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements as the Group did not have any business acquisition in current year.

2. ADOPTION OF HKFRSs *(Continued)*

2.1 Adoption of new/revised HKFRSs — effective 1 January 2011 *(Continued)*

HKFRS 7 (Amendments) — Disclosure — Transfers of Financial Assets

As part of the Improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The carrying amount of the Group's trade receivables represents the Group's maximum exposure to credit risk in respect of these financial assets as at 31 December 2011 and 2010. The prior year financial statements included a positive statement to this effect which is removed in the 2011 financial statements following the amendments. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) — Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition in relation to the transactions with subsidiaries of the Group's associates and to exclude transactions with an entity which was significantly influenced by a member of the Group's key management personnel. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

2.2 Early adoption of Amendments to HKAS 12 — Deferred Tax (Recovery of Underlying Assets)

HKAS 12 — Deferred Tax — Recovery of Underlying Assets (Amendments)

The Group has decided to early adopt the amendments to HKAS 12 — Deferred Tax — Recovery of Underlying Assets, in respect of the recognition of deferred tax on investment properties carried at fair value.

2. ADOPTION OF HKFRSs *(Continued)*

2.2 Early adoption of Amendments to HKAS 12 — Deferred Tax (Recovery of Underlying Assets) *(Continued)*

HKAS 12 — Deferred Tax — Recovery of Underlying Assets (Amendments) *(Continued)*

The amendment to HKAS 12 introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. Currently HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property overtime, rather than through sale. The amendment is applied retrospectively.

As at 31 December 2011, the Group had investment properties amounting to HK$11,038,428,000 (as at 31 December 2010: HK$10,061,908,000), representing their fair values in accordance with the Group's accounting policy. All of the Group's investment properties are situated in Hong Kong. In Hong Kong, land leases are generally expected to be renewed without a payment of a market-based premium and this expectation is reflected in the market price of properties in Hong Kong. In addition, the Group does not have the business model of holding investment properties until the land leases expire. Given this, the directors assessed that the Group would not consume substantially all of the economic benefits embodied in the investment properties over time. Consequently, as required by the amendment, the Group re-measured the deferred tax relating to these investment properties based on the presumption that they are recovered entirely by sale as if this new policy had always been applied. There is no major tax consequence in Hong Kong of a sale of the investment property as there is currently no capital gain tax in Hong Kong.

2. ADOPTION OF HKFRSs *(Continued)*

2.2 Early adoption of Amendments to HKAS 12 — Deferred Tax (Recovery of Underlying Assets) *(Continued)*

HKAS 12 — Deferred Tax — Recovery of Underlying Assets (Amendments) *(Continued)*

The change in accounting policy has been applied retrospectively by restating the opening balances at 1 January 2010 and 2011, with consequential adjustments to comparatives for the year ended 31 December 2010. This has resulted in a reduction in the amount of deferred tax liabilities arising from the fair value change as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Consolidated statement of comprehensive income for the year ended 31 December		
Decrease in income tax expenses	**335,427**	327,578
Increase in basic earnings per share	**1.28**	1.35
Increase in diluted earnings per share	**1.27**	1.34

	31 December 2011 ***HK$'000***	31 December 2010 *HK$'000*	1 January 2010 *HK$'000*
Consolidated statement of financial position			
Increase in equity — retained earnings	**1,491,474**	1,156,047	828,469
Decrease in deferred tax liabilities	**(1,491,474)**	(1,156,047)	(828,469)

As a result of the above retrospective restatement, an additional consolidated statement of financial position as at 1 January 2010 is presented in accordance with HKAS 1 Presentation of Financial Statements.

2. ADOPTION OF HKFRSs *(Continued)*

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

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

Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosure — Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9 and Amendments to HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 19 (2011)	Employee Benefits[3]
HKAS 27 (2011)	Separate Financial Statements[3]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[3]

1 Effective for annual periods beginning on or after 1 July 2011

2 Effective for annual periods beginning on or after 1 July 2012

3 Effective for annual periods beginning on or after 1 January 2013

4 Effective for annual periods beginning on or after 1 January 2014

5 Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKFRS 7 — Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKFRS 7 issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013.

2. ADOPTION OF HKFRSs *(Continued)*

2.3 New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 — Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirely. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

2. ADOPTION OF HKFRSs *(Continued)*

2.3 New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 10 — Consolidated Financial Statements

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

The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

Save as the main changes described above, the Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of other new/revised HKFRSs will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The financial statements on pages 37 to 133 have been prepared in accordance with the HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3. BASIS OF PREPARATION *(Continued)*

3.2 Basis of measurement

The financial statements have been prepared under the historical cost basis except for the investment properties and leasehold building which are measured at fair value. The measurement bases are fully described in the accounting policies below.

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of revised/amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

3.3 Functional and presentation currency

The financial statements are presented in Hong Kong dollar ("HK$"), which is the same as the functional currency of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The results of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of the disposal, as appropriate.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Basis of consolidation *(Continued)*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Where certain assets of the subsidiary are measured 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 Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date the 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Basis of consolidation *(Continued)*

Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

4.2 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group is able to exercise control, where the Group has the power to govern the financial and operating policies of these entities so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

When the Group acquires a subsidiary where the underlying assets are not integrated in forming a business to generate revenues, the transaction is accounted for as a purchase of net assets. The cost of the acquisition is allocated to the identifiable assets and liabilities acquired based on their relative fair values at the date of acquisition and no goodwill is recognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Jointly-controlled entity

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers.

In the consolidated financial statements, jointly-controlled entity is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly-controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the jointly-controlled entity's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in jointly-controlled entity is carried at cost and adjusted for the post-acquisition changes in the Group's share of the jointly-controlled entity's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the period includes the Group's share of the post-acquisition, post-tax results of the jointly-controlled entity for the year, including any impairment loss on the investment in jointly-controlled entity recognised for the year.

Unrealised gains on transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. Where unrealised losses on assets sales between the Group and its jointly controlled entity are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the jointly-controlled entity uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the jointly-controlled entity's accounting policies to those of the Group when the jointly-controlled entity's financial statements are used by the Group in applying the equity method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Jointly-controlled entity *(Continued)*

When the Group's share of losses in jointly-controlled entity equals or exceeds its interest in the jointly-controlled entity, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly-controlled entity. For this purpose, the Group's interest in the jointly-controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly-controlled entity.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its jointly-controlled entity. At each reporting date, the Group determines whether there is any objective evidence that the investment in jointly-controlled entity is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the jointly-controlled entity and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the jointly-controlled entity, including cash flows arising from the operations of the jointly-controlled entity and the proceeds on ultimate disposal of the investment.

4.4 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of subsidiary. Accounting for goodwill arising on acquisition of jointly controlled entity is set out in note 4.3.

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred and the amount recognised for any non-controlling interest in the acquiree over the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Where the fair value of the identifiable assets, liabilities and contingent liabilities exceed the aggregate of the fair value of consideration paid and the amount recognised for any non-controlling interests, the excess is recognised immediately in profit or loss on the acquisition date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Goodwill *(Continued)*

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

Impairment losses for goodwill recognised in an interim period are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

On subsequent disposal of a subsidiary or cash-generating unit, any attributable amount of goodwill is included in the calculation of the gain or loss on disposal.

4.5 Investment properties

Investment properties are properties held either to earn rental income and/or for capital appreciation (including properties under construction for such purposes), but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose.

Investment properties are measured at cost, including transaction cost, on initial recognition. Subsequent to initial recognition, investment properties are measured at fair value with any change therein recognised in profit or loss.

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 the disposal. 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 properties) is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Property, plant and equipment

The leasehold buildings, held for own use, are stated at revalued amount, being their fair value at the date of the revaluation less any subsequent accumulated depreciation.

Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase arising on revaluation is recognised in other comprehensive income and accumulated in equity under asset revaluation reserve, unless the carrying amount of that asset has previously suffered a decrease in revaluation. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of leasehold buildings arising on revaluation is recognised in other comprehensive income to the extent of the revaluation surplus in the asset revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

Other items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depreciation is provided to write off the cost/revalued amount of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the lease period
Leasehold building	2%
Leasehold improvements	30%
Furniture, fixtures and equipment	10% — 20%
Motor vehicles	6% — 15%

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.6 Property, plant and equipment *(Continued)*

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on disposal is determined as the difference between the net sale proceeds and the carrying amount of the asset and is recognised in profit or loss. Any relevant revaluation surplus remaining in equity is transferred to retained profits on the disposal of leasehold building.

4.7 Intangible assets (other than goodwill)

Intangible assets, representing urban infrastructure development rights, are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the profit or loss on a straight line basis over the estimated useful lives of 20 years for the intangible assets. Intangible assets are amortised from the date the asset is available for use.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.8 Properties held for development

Properties held for development representing operating lease prepayment on leasehold land and any directly attributable expenditure, with the intention for holding for long-term purposes or no decision has yet been made on their future use are included in the statement of financial position as non-current assets. Since the fair value of properties held for development cannot be reliably determined, these investment properties are measured at cost, less accumulated amortisation and impairment losses. The amortisation policy for operating lease prepayment is disclosed in note 4.10 to the financial statements.

4.9 Impairment of other non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of properties held for development to determine whether there is any indication that they have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Investments in subsidiaries and a jointly-controlled entity;
- Property, plant and equipment; and
- Properties held for development.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

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

The Group as lessor under operating lease

Rental income from operating leases is recognised in profit or loss on the 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 the straight-line basis over the lease term. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

The Group as lessee under operating lease

The total rentals payable under operating leases are recognised in profit or loss on a straight line basis over the term of the relevant lease. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4.11 Financial instruments

(i) Financial assets

The Group's classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus directly attributable transaction costs. Regular way purchases and sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are either designated to as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments *(Continued)*

(ii) Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments *(Continued)*

(ii) Impairment of financial assets *(Continued)*

Loans and receivables *(Continued)*

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction 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.

Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

(iii) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and form an integral part of the Group's cash management.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments *(Continued)*

(iv) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables and borrowings are measured at amortised cost, using the effective interest method. The related interest is recognised in accordance with the Group's accounting policy for borrowing costs (note 4.15).

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instruments

Ordinary shares issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Financial guarantee contract

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

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of a guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised as investment in subsidiaries on initial recognition of any deferred income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial instruments *(Continued)*

(vii) Financial guarantee contract *(Continued)*

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantee issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount.

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39. When an available-for-sale financial asset is derecognised, the cumulative gain or loss is reclassified from equity to profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.12 Inventories

Inventories are initially recognised at cost, and subsequently carried at the lower of cost and net realisable value.

Urban infrastructure underground pipelines

Cost comprises direct materials computed using the weighted average method and where applicable, direct labour and those overheads that have been incurred in bringing the inventories to their present location and condition.

Properties under development

The cost of properties under development for sale comprises the acquisition cost of land, development expenditure, other direct expenses and capitalised borrowing costs (see note 4.15).

Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated costs necessary to make the sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Inventories *(Continued)*

Properties held for sale

Properties held for sale are initially recognised at cost, and subsequently carried at the lower of cost and net realisable value. Cost comprises the acquisition cost of the properties and directly attributable development costs. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4.13 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably.

Revenue from sales of properties is recognised when the sale and purchase agreements have been signed and the related conditions, if any, have been fulfilled.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease. Lease incentives granted are recognised in the profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

Revenue from sales of properties under development is recognised when the significant risks and rewards of ownership of these properties under development have been transferred to the purchasers and the Group retains neither continuing involvement to the degree usually associated with ownership nor effective control over properties under development. The transfer of risks and rewards of ownership is evidenced by the passing of possession of properties to the purchaser when the properties' hand-over confirmation is executed by the Group and the purchaser. Deposits and instalments received from purchasers prior to this stage are included in current liabilities and are not recognised as revenue.

Revenue from urban infrastructure projects, such as the construction works for telecommunication pipelines, is recognised when the construction works are fully completed and sold to customers. Completion is determined based on certification by independent third party quantity surveyors.

Income from management services, property repairs and maintenance services are recognised in the period when the respective services are rendered.

Interest income is recognised on a time basis on the principal outstanding at the effective interest rate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Foreign currency

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

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 and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into the HK$ at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss as part of the gain or loss on sale.

4.15 Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the assets for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries, associates and jointly controlled entity, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Income taxes *(Continued)*

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.17 Employee benefits

(i) Defined contribution retirement plans

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the People's Republic of China, except Hong Kong (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Employee benefits *(Continued)*

(i) Defined contribution retirement plans *(Continued)*

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

(ii) Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(iii) Share-based employee compensation

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in employee share-based equity reserve in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in employee share-based equity reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in employee share-based equity reserve will be transferred to retained profits.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.18 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one of more future uncertain events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4.19 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;

- (ii) has significant influence over the Group; or

- (iii) is a member of key management personnel of the Group or the Company's parent.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(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) both entities 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 the employees of 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 key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Segment reporting

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

The Group has identified the following reportable segments:

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Segment reporting *(Continued)*

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

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

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated fair value of investment properties

As at reporting date, the Group's investment properties are stated at fair value based on the valuation performed by an independent qualified professional valuer. In determining the fair value, the valuers have based on market value existing use and redevelopment basis which involves certain estimates, including comparable market transactions, appropriate capitalisation rates and reversionary income potential and redevelopment potential. In determining the redevelopment value of an investment property, the management is of the opinion that it is probable that the Group is able to acquire a few outstanding properties to carry out the redevelopment plan. In relying on the valuation, management has exercised their judgement and is satisfied that the methods of valuation are reflective of the current market conditions.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(ii) Net realisable value of properties held for sale/properties under development

Management determines the net realisable value of properties held for sale and properties under development by using prevailing market data such as most recent sale transactions and market valuation reports available from independent qualified professional valuers. Such valuations are made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual result. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market condition existing at the reporting date. These estimates are regularly compared to actual market data and actual transactions in the market.

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the reporting date to ensure inventories are stated at the lower of cost and net realisable value.

(iv) Impairment of trade receivables

The Group's management determines the provision for impairment of trade receivables on a regular basis. This estimate is based on the credit history of its customers and prevailing market conditions. Management reassesses the provision for impairment of trade receivables at the reporting date.

(v) Income taxes

The Group is subject to income taxes in Hong Kong and the PRC. Significant judgement is required in determining the amount of the provision for income taxes and the timing of payment of related taxes. There could have transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

6. TURNOVER AND OTHER INCOME

Turnover of the Group is the revenue from its principal activities. An analysis of the Group's turnover and other income are as follows:

	2011 *HK$'000*	2010 *HK$'000*
Turnover		
Property assembly:		
— Sales of properties held for sale	483,280	591,250
Property development:		
— Sales of properties under development (the PRC)	84,272	—
Property leasing:		
— Rental and signage rental income	238,023	222,703
— Office facilities and service income	365	2,739
Building management and other services:		
— Property repairs and maintenance service income	9,599	12,053
— Building management service income	6,780	7,046
Urban infrastructure:		
— Turnover from urban infrastructure construction works	79,371	77,923
	901,690	913,714
Other income		
Bank interest income	1,210	403
Commission income	7,164	656
Write-back of other receivables	—	1,256
Write-back of provision for loss in litigation *(note 31)*	5,348	—
Miscellaneous income	3,509	4,730
	17,231	7,045
Total turnover and other income	918,921	920,759

7. SEGMENT INFORMATION

The executive directors have identified the Group's five business lines as operating segments as further described in note 4.20.

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

	Property assembly business		Property development		Property leasing		Building management and other services		Urban infrastructure		Others		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Turnover														
External customers	483,280	591,250	84,272	–	238,388	225,442	16,379	19,099	79,371	77,923	–	–	901,690	913,714
Inter-segments	–	–	154,430	94,712	17,824	16,078	624	–	–	–	20,276	19,579	193,154	130,369
Reportable segment turnover	483,280	591,250	238,702	94,712	256,212	241,520	17,003	19,099	79,371	77,923	20,276	19,579	1,094,844	1,044,083
Reportable segment profit/(loss)	12,914	183,530	(30,182)	(36,455)	197,233	180,520	6,128	7,999	17,687	21,514	335	20,019	204,115	377,127
Bank interest income	–	1	1,039	97	32	7	–	–	131	294	8	4	1,210	403
Write-back of provision for loss in litigation	–	–	–	–	–	–	–	–	5,348	–	–	–	5,348	–
Depreciation	(362)	–	(757)	(586)	(2,410)	(2,356)	(3)	(4)	(303)	(236)	(644)	(688)	(4,479)	(3,870)
Amortisation of intangible assets	–	–	–	–	–	–	–	–	(471)	(360)	–	–	(471)	(360)
Amortisation of properties held for development	–	–	(1,135)	(2,107)	–	–	–	–	–	–	–	–	(1,135)	(2,107)
Provision for obsolete inventories	–	–	–	–	–	–	–	–	(220)	(548)	–	–	(220)	(548)
Reportable segment assets	55,926	33	2,798,890	1,276,340	11,451,945	10,211,704	7,125	6,395	147,200	154,957	194,724	10,858	14,655,810	11,660,287
Additions to non-current segment assets during the year	40	–	725	22,347	903,691	1,383,527	–	–	335	376	2,491	1,041	907,282	1,407,291
Reportable segment liabilities	(28,403)	–	(635,300)	(525,095)	(103,600)	(61,936)	(15,766)	(14,158)	(49,858)	(48,202)	(8,009)	(5,905)	(840,936)	(655,296)

7. SEGMENT INFORMATION *(Continued)*

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

	2011 *HK$'000*	2010 *HK$'000* (Restated)
Reportable segment turnover	1,094,844	1,044,083
Elimination of intersegment turnover	(193,154)	(130,369)
Turnover	901,690	913,714
Reportable segment profits	204,115	377,127
Net gain on fair value adjustments on investment properties	2,032,888	1,769,570
Gain on disposal of an investment property	461	1,061
Unallocated income and expenses	(15,419)	(18,687)
(Loss)/Gain on disposal/deregistration of subsidiaries	(2,685)	7,520
Gain on disposal of available-for-sale financial assets	–	15,331
Finance costs	(35,100)	(28,033)
Share of loss of a jointly-controlled entity	(838)	(910)
Profit before income tax	2,183,422	2,122,979
Reportable segment assets	14,655,810	11,660,287
Interest in a jointly-controlled entity	45,260	44,288
Available-for-sale financial assets	10	10
Group assets	14,701,080	11,704,585
Reportable segment liabilities	840,936	655,296
Borrowings	3,509,413	3,092,288
Provision for income tax	13,943	33,822
Deferred tax liabilities	59,054	50,373
Group liabilities	4,423,346	3,831,779

7. SEGMENT INFORMATION *(Continued)*

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

	Turnover from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal markets				
Hong Kong (domicile)	**738,047**	835,791	**11,270,640**	10,193,316
PRC	**163,643**	77,923	**26,122**	26,880
	901,690	913,714	**11,296,762**	10,220,196

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

For the year ended 31 December 2011, approximately HK$459,280,000 or 51% (2010: HK$325,000,000 or 36%) of the Group's turnover was derived from a single customer (2010: single customer) for sale of properties in the property assembly business segment. As at 31 December 2011, no trade receivable was due from the above customer (2010: Nil).

8. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans		
— wholly repayable within five years	**38,953**	29,597
— not wholly repayable within five years	**9,275**	7,485
Other borrowings wholly repayable within five years	**5,603**	2,197
Total borrowing costs	**53,831**	39,279
Less: Interest capitalised in investment properties and properties under development *(note 17 and 27)**	**(18,731)**	(11,246)
	35,100	28,033

* The borrowing costs have been capitalised at rates ranging from 1.30% to 1.75% (2010: 1.55% to 1.87%) per annum.

8. FINANCE COSTS *(Continued)*

The analysis shows the finance costs of bank loans, including term loans which contain a repayment on demand clause, in accordance with agreed scheduled repayments dates set out in the loan agreements. For the years ended 31 December 2011 and 2010, the interest on bank loans which contain a repayment on demand clause amounted to HK$44,814,000 and HK$35,177,000 respectively.

9. PROFIT BEFORE INCOME TAX

	2011 HK$'000	2010 HK$'000
Profit before income tax is arrived at after charging:		
Amortisation of intangible assets*	471	360
Amortisation of properties held for development	1,135	2,107
Auditor's remuneration	2,901	2,430
Bad debts written off*	251	—
Cost of inventories recognised as expense	49,253	44,366
Cost of properties held for-sale/properties under development recognised as expense	515,948	384,330
Deposits for property acquisition written off*	924	724
Depreciation of property, plant and equipment	4,479	3,870
Employee benefit expenses (including directors' remuneration and defined contribution cost) *(note 11)*		
— Share option expenses	8,931	8,774
— Other employee benefit expenses	66,125	54,898
	75,056	63,672
Loss on disposal of property, plant and equipment	128	—
Operating lease charges in respect of premises	3,058	3,454
Provision for impairment loss of trade receivables* *(note 28)*	1,116	—
Provision for obsolete inventories*	220	548
Property, plant and equipment written off	58	417
And crediting:		
Gross rental income from investment properties	(218,795)	(203,753)
Less: Outgoings	7,403	3,706
	(211,392)	(200,047)
Other rental income less outgoings from other properties	(230)	(1,718)
	(211,622)	(201,765)

* included in other operating expenses

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	Fee *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits scheme contributions *HK$'000*	Equity-settled share based payment expenses *HK$'000*	Total *HK$'000*
Year ended 31 December 2011					
Executive directors					
Ms. Foo Kam Chu, Grace	–	3,960	12	957	4,929
Ms. Chan Wai Ling	–	6,061	12	3,207	9,280
Mr. Kong Siu Man, Kenny	–	2,320	12	406	2,738
Mr. Tse Wai Hang*	–	1,791	11	75	1,877
Mr. Lau Kam Kwok, Dickson**	–	11	–	13	24
Non-executive directors					
Mr. Liang Yanfeng#	–	–	–	–	–
Mr. Meng Qinghui#	–	–	–	–	–
Independent non-executive directors					
Mr. Chan Kai Nang	100	–	–	–	100
Mr. Kwan Kai Cheong##	19	–	–	–	19
Mr. Pao Ping Wing	80	–	–	–	80
Mr. Ng Chi Keung###	43	–	–	–	43
	242	14,143	47	4,658	19,090

* resigned on 1 December 2011

** appointed on 29 December 2011

\# resigned on 26 April 2011

\## resigned on 7 January 2011

\### appointed on 18 March 2011

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

	Fee	Salaries and allowances	Retirement benefits scheme contributions	Equity-settled share based payment expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2010					
Executive directors					
Ms. Foo Kam Chu, Grace	–	2,710	12	978	3,700
Ms. Chan Wai Ling	–	2,660	12	3,261	5,933
Mr. Tse Chun Kong, Thomas[Δ]	–	1,531	12	125	1,668
Mr. Kong Siu Man, Kenny	–	2,114	12	226	2,352
Mr. Tse Wai Hang[ΔΔ]	–	335	2	12	349
Non-executive directors					
Mr. Liang Yanfeng	–	–	–	–	–
Mr. Meng Qinghui	–	–	–	–	–
Independent non-executive directors					
Mr. Chan Kai Nang	80	–	–	–	80
Mr. Kwan Kai Cheong	70	–	–	–	70
Mr. Pao Ping Wing	72	–	–	–	72
	222	9,350	50	4,602	14,224

Δ resigned on 2 December 2010
ΔΔ appointed on 23 November 2010

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The value of share options granted to Directors is measured according to the Group's accounting policy for share-based compensation set out in note 4.17(iii). The details of these benefits in kind including the principal terms and number of options granted are disclosed in note 37.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included four (2010: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining one (2010: two) individual(s) during the year are as follows:

	2011	2010
	HK$'000	*HK$'000*
Basic salaries and other benefits	**2,016**	3,003
Pension costs — defined contribution plan	**12**	24
Equity-settled share based payment	**3,207**	3,913
	5,235	6,940

The emoluments of the remaining one (2010: two) individual(s) fell within the following bands:

	Number of individuals	
	2011	2010
HK$1,500,001 — HK$2,000,000	**—**	1
HK$2,000,001 — HK$2,500,000	**—**	—
HK$2,500,001 — HK$3,000,000	**—**	—
HK$3,000,001 — HK$3,500,000	**—**	—
HK$3,500,001 — HK$4,000,000	**—**	—
HK$4,000,001 — HK$4,500,000	**—**	—
HK$4,500,001 — HK$5,000,000	**—**	1
HK$5,000,001 — HK$5,500,000	**1**	—

10. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

No emoluments were paid by the Group to the Directors or any of five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office and no director waived or agreed to waive any emoluments during each of the two years ended 31 December 2011 and 2010.

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2011 *HK$'000*	2010 *HK$'000*
Salaries and wages (including directors' remuneration)	**60,751**	51,695
Equity-settled share based payment	**8,931**	8,774
Pension costs — defined contribution plans	**3,099**	2,300
Staff welfare	**2,275**	903
	75,056	63,672

12. INCOME TAX EXPENSE

	Notes	2011 *HK$'000*	2010 *HK$'000* (Restated)
Hong Kong profits tax			
— Tax for the year	*(a)*	**47,546**	46,779
— Under/(Over) provision in prior years		**374**	(607)
		47,920	46,172
PRC income tax			
— Tax for the year	*(b)*	**8,318**	4,831
Deferred tax *(note 34)*		**8,134**	5,548
		64,372	56,551

12. INCOME TAX EXPENSE *(Continued)*

Notes:

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit arising in Hong Kong for the year.

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

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2011 *HK$'000*	2010 *HK$'000* (Restated)
Profit before income tax	**2,183,422**	2,122,979
Tax at the applicable tax rates	**362,161**	351,343
Tax effect of non-deductible expenses	**97,931**	47,182
Tax effect of non-taxable income	**(398,603)**	(343,896)
Tax effect of temporary differences not recognised	**(4,045)**	(1,598)
Tax effect of tax losses not recognised	**7,365**	5,039
Utilisation of previously unrecognised tax losses	**(786)**	(919)
Under/(over) provision in prior years	**349**	(607)
Others	**—**	7
Income tax expense	**64,372**	56,551

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated profit attributable to owners of the Company of HK$2,111,219,000 (2010: HK$2,059,658,000 (restated)), a loss of HK$7,156,000 (2010: a profit of HK$564,000) has been dealt with in the financial statements of the Company.

14. OTHER COMPREHENSIVE INCOME

The amount of tax relating to each component of other comprehensive income can be summarised as follows:

	2011			2010		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange gain on translation of financial statements of foreign operations	9,028	–	9,028	12,771	–	12,771
Amount recognised in profit or loss on disposal/ deregistration of foreign subsidiaries	–	–	–	(281)	–	(281)
Surplus on revaluation of leasehold building, net of deferred tax *(notes 18, 34)*	2,482	(409)	2,073	4,728	(780)	3,948
Other comprehensive income	11,510	(409)	11,101	17,218	(780)	16,438

15. DIVIDENDS

(a) Dividend attributable to the year

	2011	2010
	HK$'000	*HK$'000*
Proposed final dividend of HK$0.13 (2010: HK$0.1) per share	**35,743**	24,156

Final dividend of HK$0.13 (2010: HK$0.1) per share for the year to shareholders whose names appear on the register of members on 23 May 2012 (the "Record Date") was proposed by the Directors on 21 March 2012.

The final dividend proposed after the reporting date has not been recognised as a liability at the reporting date.

(b) Dividend attributable to the previous financial year, approved and paid during the year

	2011	2010
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, of HK$0.1 (2010: HK$0.1) per share	**25,092**	24,043

16. EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Profit attributable to owners of the Company	**2,111,219**	2,059,658

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**262,291,149**	240,473,178
Effect of dilutive potential ordinary shares in respect of employee share options	**1,551,689**	3,826,036
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**263,842,838**	244,299,214

17. INVESTMENT PROPERTIES

Changes to the carrying amounts presented in the consolidated statement of financial position can be summarised as follows:

Group	2011 HK$'000	2010 HK$'000
Carrying amount at 1 January	**10,061,908**	7,143,620
Additions	**902,467**	1,382,646
Disposal	**(2,660)**	(1,450)
Transfer to properties held for sale *(note 26)*	**(495,660)**	(238,663)
Transfer to property, plant and equipment *(note 18)*	**(98,000)**	–
Transfer to properties under development *(note 27)*	**(1,370,000)**	–
Net gain on fair value adjustments	**2,032,888**	1,769,570
Interest capitalised in investment properties under construction *(note 8)*	**7,485**	6,185
Carrying amount at 31 December	**11,038,428**	10,061,908

For the year ended 31 December 2011, a subsidiary of the Company disposed of its investment property with carrying value of HK$2,660,000 (2010: HK$1,450,000) at a consideration of HK$3,130,000 (2010: HK$2,520,000), resulting in a gain of HK$461,000 (2010: HK$1,061,000) after taking into account of selling and directly attributable expenses.

The Group's investment properties were revalued at 31 December 2011 by an independent, professionally qualified valuer, B. I. Appraisals Limited, on the following basis:

- Certain investment properties under construction were revalued on re-development basis by adopting the residual site method. The residual site method is determined by deducting the gross development value from the estimated total cost of the development including costs of construction, professional fee, finance cost, associated costs and an allowance for developer's risk and profit; and

- The remaining investment properties are revalued based on the market value on an existing use basis which involves certain estimates, including comparable market transactions, where appropriate capitalisation rates and reversionary income potential.

In relying on these valuations, management has exercised their judgement and are satisfied that the methods of valuation are reflective of the current market conditions.

17. INVESTMENT PROPERTIES *(Continued)*

During the year, the Group's certain investment properties were transferred to properties held for sale (note 26) due to change in use, as evidenced by commencement of development with a view to sale. The fair value of the investment properties at the date of change in use represented the deemed cost of properties held for sale for subsequent accounting in accordance with HKAS 2 Inventories, which were determined as the based on the highest and best use of the property sites assuming it is physically possible, legally permissible and financially feasible. This results in a net gain on fair value adjustment of HK$211,592,000 (2010: HK$53,591,000) on these investment properties being transferred.

The Group's interests in investment properties are situated in Hong Kong and their carrying amounts are analysed as follows:

	2011	2010
	HK$'000	*HK$'000*
Held on leases over 50 years	**10,877,918**	9,970,438
Held on leases from 10 to 50 years	**160,510**	91,470
	11,038,428	10,061,908

As at 31 December 2011, certain investment properties of the Group with total carrying amount of HK$10,314,650,000 (2010: HK$9,431,280,000) were pledged to secure certain bank loans of HK$2,953,454,000 (2010: HK$2,822,944,000) (note 33).

All of the Group's investment properties for earning rental income or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

18. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land HK$'000	Leasehold building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2010						
Cost/Valuation	11,687	36,400	13,075	5,367	2,899	69,428
Accumulated depreciation	(178)	–	(10,002)	(3,397)	(1,420)	(14,997)
Net carrying amount	11,509	36,400	3,073	1,970	1,479	54,431
Analysis of cost/valuation						
At cost	11,687	–	13,075	5,367	2,899	33,028
At professional valuation	–	36,400	–	–	–	36,400
	11,687	36,400	13,075	5,367	2,899	69,428
Year ended 31 December 2010						
Opening net carrying amount	11,509	36,400	3,073	1,970	1,479	54,431
Additions	–	–	1,350	2,018	1,766	5,134
Surplus on revaluation	–	4,728	–	–	–	4,728
Disposals	–	–	–	(12)	(65)	(77)
Write-off	–	–	(378)	(39)	–	(417)
Disposal of subsidiaries	–	–	–	(9)	–	(9)
Depreciation	(14)	(728)	(1,665)	(978)	(485)	(3,870)
Exchange realignment	–	–	19	38	114	171
Closing net carrying amount	11,495	40,400	2,399	2,988	2,809	60,091
At 31 December 2010						
Cost/Valuation	11,687	40,400	13,163	7,080	4,791	77,121
Accumulated depreciation	(192)	–	(10,764)	(4,092)	(1,982)	(17,030)
Net carrying amount	11,495	40,400	2,399	2,988	2,809	60,091
Analysis of cost/valuation						
At cost	11,687	–	13,163	7,080	4,791	36,721
At professional valuation	–	40,400	–	–	–	40,400
	11,687	40,400	13,163	7,080	4,791	77,121

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

Group *(Continued)*

	Leasehold land *HK$'000*	Leasehold building *HK$'000*	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Year ended 31 December 2011						
Opening net carrying amount	11,495	40,400	2,399	2,988	2,809	60,091
Additions	–	–	1,245	2,856	403	4,504
Surplus on revaluation	–	2,482	–	–	–	2,482
Transfer from investment properties *(note 17)*	53,100	44,900	–	–	–	98,000
Disposals	–	–	–	(2)	(496)	(498)
Write-off	–	–	(48)	(10)	–	(58)
Depreciation	(39)	(1,182)	(1,572)	(1,192)	(494)	(4,479)
Exchange realignment	–	–	14	12	50	76
Closing net carrying amount	64,556	86,600	2,038	4,652	2,272	160,118
At 31 December 2011						
Cost/Valuation	64,787	86,600	13,890	9,880	4,727	179,884
Accumulated depreciation	(231)	–	(11,852)	(5,228)	(2,455)	(19,766)
Net carrying amount	64,556	86,600	2,038	4,652	2,272	160,118
Analysis of cost/valuation						
At cost	64,787	–	13,890	9,880	4,727	93,284
At professional valuation	–	86,600	–	–	–	86,600
	64,787	86,600	13,890	9,880	4,727	179,884

At 31 December 2011, the Group's leasehold building held on leases over 50 years in Hong Kong is stated at valuation of HK$86,600,000 (2010: HK$40,400,000). The Group's leasehold building was valued by B. I. Appraisals Limited on an open market value basis by reference to the price information of comparable properties. A revaluation surplus of approximately HK$2,482,000 (2010: HK$4,728,000) had been credited to asset revaluation reserve.

As at 31 December 2011, leasehold building of the Group with carrying amount of HK$86,600,000 (2010: HK$40,400,000) was pledged to secure certain bank loans of the Group (note 33).

Had the leasehold building been carried at historical cost less accumulated depreciation, their carrying values at 31 December 2011 would have been approximately HK$11,189,000 (2010: HK$5,754,000).

19. PROPERTIES HELD FOR DEVELOPMENT

Group

	2011 HK$'000	2010 HK$'000
Year ended 31 December		
Opening net carrying amount	47,278	52,845
Additions	310	9,000
Transfer from deposit for property development	—	10,511
Disposals of subsidiaries *(note 43)*	—	(5,278)
Amortisation	(1,135)	(2,107)
Transfer to properties under development *(note 27)*	—	(18,291)
Exchange realignment	219	598
Closing net carrying amount	46,672	47,278
As at 31 December		
Cost	55,920	55,374
Accumulated amortisation	(9,248)	(8,096)
Net carrying amount	46,672	47,278
Analysis of lease terms:		
— In Hong Kong held on leases between 10 to 50 years	30,468	30,938
— In the PRC held on leases between 10 to 50 years	16,204	16,340
Net carrying amount	46,672	47,278

Properties held for development represents certain agriculture lands (the "Lands") situated in New Territories. The directors are of the opinion that the fair value of the Lands cannot be reliably estimated unless the Group successfully assembles and consolidates the titles of the lands, obtain the approval from the related governmental authorities and pays the land premium for further development. As such, the Group measures the Lands using the cost model. There was no disposal of the Lands during the year.

20. INTERESTS IN SUBSIDIARIES

Company

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	2,318,856	2,318,856
Less: Provision for impairment loss	(1,773,856)	(1,773,856)
	545,000	545,000
Amount due from a subsidiary	1,738,931	1,471,575
Less: Provision for impairment loss	(1,471,575)	(1,471,575)
	267,356	–
Less: Amount due from a subsidiary included under current assets	(267,356)	–
Amount included under non-current assets	545,000	545,000

As at 31 December 2011, of the amount due from a subsidiary, HK$267,356,000 is unsecured, interest free and repayable on demand. The remaining balance is unsecured, interest free and not repayable within the next twelve months from the reporting date.

Details of principal subsidiaries are set out in note 47 to the financial statements.

21. INTEREST IN A JOINTLY-CONTROLLED ENTITY

Group

	2011 HK$'000	2010 HK$'000
Unlisted share, at cost	1	1
Share of post-acquisition results	(2,041)	(1,203)
	(2,040)	(1,202)
Amount due from a jointly-controlled entity	47,300	45,490
	45,260	44,288

The amount due from a jointly-controlled entity is unsecured, interest free and has no fixed terms of repayment. No repayment will be demanded within twelve months from the reporting date and the amount is classified as non-current assets accordingly.

21. INTEREST IN A JOINTLY-CONTROLLED ENTITY *(Continued)*

Group *(Continued)*

Particulars of the jointly-controlled entity at 31 December 2011 are as follows:

Company name	Place of incorporation and operations	Issued and paid-up capital	Percentage of: Ownership interest attributable to the Group	Percentage of: Voting power	Percentage of: Profit sharing	Principal activities
Golden Choice Enterprises Limited	Hong Kong	2 ordinary shares of HK$1 each	50%	50%	50%	Property development

The following is a condensed summary of financial information of the Group's jointly-controlled entity, extracted from its unaudited management account:

	2011 HK$'000	2010 HK$'000
Share of assets and liabilities attributable to the Group		
Current assets	21,609	21,554
Current liabilities	(23,650)	(22,757)
Net liabilities	(2,041)	(1,203)
Share of results attributable to the Group		
Revenue	–	–
Administrative expenses	(838)	(910)
Loss for the year	(838)	(910)

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	2011 HK$'000	2010 HK$'000
Unlisted investments, at cost	6,660	56,326
Disposal	–	(49,666)
	6,660	6,660
Less: Provision for impairment loss	(6,650)	(6,650)
Available-for-sale financial assets under non-current assets	10	10

Unlisted investments represent 35% of the issued ordinary share capital of an unlisted company incorporated in Hong Kong.

The unlisted investments are classified as available-for-sale financial assets because in the opinion of the Directors, the Group has no significant influence over the financial and operating decisions of the investee companies.

The unlisted investments with a carrying amount of HK$10,000 (2010: HK$10,000) are measured at cost less impairment losses as they do not have quoted market prices in active markets. The Group plans to hold the investment amounting to HK$10,000 (2010: HK$10,000) continuously.

23. INTANGIBLE ASSETS

Group

Urban infrastructure development rights

	2011 *HK$'000*	2010 *HK$'000*
At 1 January		
Cost	18,283	17,686
Accumulated amortisation and impairment loss	(11,652)	(10,914)
Net carrying amount	6,631	6,772
Year ended 31 December		
Opening net carrying amount	6,631	6,772
Amortisation charge *(note 9)*	(471)	(360)
Exchange realignment	124	219
Closing net carrying amount	6,284	6,631
At 31 December		
Cost	18,617	18,283
Accumulated amortisation and impairment loss	(12,333)	(11,652)
Net carrying amount	6,284	6,631

24. GOODWILL

Group

	2011 *HK$'000*	2010 *HK$'000*
Gross amount		
At 1 January	**4,168**	7,882
Disposal of a subsidiary	**–**	(3,714)
At 31 December	**4,168**	4,168
Accumulated impairment loss		
At 1 January	**4,168**	7,882
Disposal of a subsidiary	**–**	(3,714)
At 31 December	**4,168**	4,168
Net carrying amount		
Gross amount	**4,168**	4,168
Accumulated impairment loss	**(4,168)**	(4,168)
At 31 December	**–**	–

25. INVENTORIES

Group

	2011 *HK$'000*	2010 *HK$'000*
Raw materials	**1,002**	1,301
Work in progress	**13,634**	14,740
Finished goods	**46,817**	40,866
	61,453	56,907
Less: Provision for obsolete inventories	**(18,431)**	(19,533)
	43,022	37,374

26. PROPERTIES HELD FOR SALE

Group

	2011 HK$'000	2010 HK$'000
Carrying amount at 1 January	–	89,102
Additions	–	56,565
Transfer from investment properties *(note 17)*	495,660	238,663
Disposals	(457,260)	(384,330)
Carrying amount at 31 December	38,400	–

During the year, subsidiaries of the Company disposed properties held for sale with carrying amount of HK$457,260,000 (2010: HK$384,330,000) at total consideration of HK$483,280,000 (2010: HK$591,250,000), resulting in a gross profit of HK$19,319,000 (2010: HK$197,841,000) after taking into account of selling and directly attributable expenses.

As at 31 December 2011, the properties of approximately HK$38,400,000 has been subsequently disposed in January 2012.

27. PROPERTIES UNDER DEVELOPMENT

Group

	2011 HK$'000	2010 HK$'000
Carrying amount at 1 January	775,675	489,207
Purchase of net assets *(notes 44)*	–	80,940
Additions	332,706	172,438
Disposals	(58,688)	–
Transfer from investment properties *(note 17)*	1,370,000	–
Transfer from properties held for development *(note 19)*	–	18,291
Interest capitalised in properties under construction *(note 8)*	11,246	5,061
Exchange realignment	4,443	9,738
Carrying amount at 31 December	2,435,382	775,675
Properties under development stated at cost	2,435,382	775,675

As at 31 December 2011, the Group's properties under development with aggregate carrying value of HK$1,982,591,000 (2010: HK$449,689,000) were pledged to secure certain bank loans of HK$555,959,000 (2010: HK$179,974,000) (note 33).

As at 31 December 2011, the properties of approximately HK$484,724,000 are expected to be recovered within one year.

28. TRADE AND OTHER RECEIVABLES

Group

	2011 HK$'000	2010 HK$'000
Trade receivables	101,118	108,649
Less: Provision for impairment loss	(11,883)	(10,996)
Trade receivables, net	89,235	97,653
Other receivables, utility deposits and prepayment	33,093	65,637
Less: Provision for impairment loss	—	—
Other receivables, utility deposits and prepayment, net	33,093	65,637
	122,328	163,290

As at the reporting date, trade receivables included in trade and other receivables were approximately HK$89,235,000 (2010: approximately HK$97,653,000). The credit terms of the Group ranging from 30 to 90 days. Based on the invoices dates, the ageing analysis of trade receivables is set out below:

	2011 HK$'000	2010 HK$'000
0 — 30 days	68,746	66,486
31 — 90 days	3,290	3,420
91 — 180 days	2,889	810
Over 180 days	14,310	26,937
Total trade receivables	89,235	97,653

28. TRADE AND OTHER RECEIVABLES *(Continued)*

Group *(Continued)*

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for doubtful debts during the year is as follows:

	2011 *HK$'000*	2010 *HK$'000*
At 1 January	10,996	12,485
Less: Reversal of provision for impairment loss	(373)	(1,768)
Add: Provision for impairment loss *(note 9)*	1,116	—
Exchange realignment	144	279
At 31 December	11,883	10,996

At 31 December 2011 and 2010, included in the allowance for doubtful debts are individually impaired trade receivables. The individually impaired receivables related to invoices that were outstanding for more than one year and management assessed that none of these balances are expected to be recovered. Normally, other than those property leasing rental receivables which are secured by rental deposits, the Group does not obtain collateral from other customers.

Trade receivables that are not impaired are as follows:

	2011 *HK$'000*	2010 *HK$'000*
Neither past due nor impaired	71,003	67,915
Less than 90 days past due	3,874	2,792
Past due more than 90 days but less than 1 year	13,784	24,714
Past due more than 1 year but less than 2 years	574	1,881
Past due more than 2 years	—	351
At 31 December	89,235	97,653

28. TRADE AND OTHER RECEIVABLES *(Continued)*

Group *(Continued)*

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Trade receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Directors consider that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because of the short maturity periods on their inception.

29. BANK DEPOSIT AT ESCROW ACCOUNT

This represented funds in the stakeholder's account in connection with pre-sale of properties under development situated in Hong Kong.

30. CASH AND CASH EQUIVALENTS

Group

	2011 *HK$'000*	2010 *HK$'000*
Bank and cash balances	252,719	136,210
Short-term bank deposits	319,225	81,569
	571,944	217,779

Cash at banks earn interest at floating rates based on the daily bank deposit rates. Short-term bank deposits were made for the periods of 1 month to 3 months (2010: 7 days to 3 months) depending on the funding requirement of the Group, and earned fixed-rate interest at respective short-term deposit rates ranging from 1.3% to 2.3% (2010: 0.12% to 1.35%) per annum.

As at 31 December 2011, there was no short-term bank deposit (2010: HK$23,570,000) was pledge to secure the Group's bank loan (2010: HK$23,000,000) (note 33).

30. CASH AND CASH EQUIVALENTS *(Continued)*

Group *(Continued)*

Included in cash and cash equivalents of the Group is HK$119,907,000 (2010: HK$171,181,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the PRC. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

The Directors consider that the fair value of the cash and cash equivalents is not materially different from their carrying amount because of the short maturity period on their inception.

31. TRADE AND OTHER PAYABLES

Group

	2011 *HK$'000*	2010 *HK$'000*
Trade payables	65,209	54,004
Receipt in advance	18,617	2,684
Rental deposits received	86,483	60,189
Accrued expenses and other payables	142,118	111,602
Provision for loss in litigation *(note a)*	–	5,032
	312,427	233,511

Note:

a. In prior year, a PRC subsidiary of the Company had a litigation with its former employees. The former employees instituted an action against the PRC subsidiary claiming approximately HK$5,032,000 for unpaid salary and bonus. On 28 September 2011, the People's Court in Xihu District, Xian Province, the PRC, ordered and approved the application from these former employees to revoke the legal proceedings for the unpaid salary and bonus. Therefore, the PRC subsidiary is no longer required to pay the claim and full reversal of provision for loss in litigation amounting to HK$5,348,000 was made in the year accordingly.

31. TRADE AND OTHER PAYABLES *(Continued)*

Group *(Continued)*

As at the reporting date, trade payables included in trade and other payables were approximately HK$65,209,000 (2010: approximately HK$54,004,000). The Group was granted credit periods by its suppliers ranging from 30 to 60 days. Based on the invoices dates, the ageing analysis of trade payables was set out below:

	2011	2010
	HK$'000	HK$'000
0 — 30 days	**32,280**	25,760
31 — 90 days	**10,352**	4,660
Over 90 days	**22,577**	23,584
Total trade payables	**65,209**	54,004

32. DEPOSIT RECEIVED IN ADVANCE

Group

	2011	2010
	HK$'000	*HK$'000*
Deposit received associated with sale of properties held for sale	**28,200**	—
Deposit received associated with pre-sale of properties under development		
— Hong Kong	**409,272**	341,131
— PRC	**91,037**	80,654
	500,309	421,785
	528,509	421,785

33. BORROWINGS

Group

	2011 HK$'000	2010 HK$'000
Bank loans — secured	3,509,413	3,025,918
Other loan	—	66,370
	3,509,413	3,092,288
Carrying amount repayable based on the scheduled repayment dates set out in the loan agreements:		
Within one year	1,813,562	957,557
More than one year, but not exceeding two years	153,534	1,332,461
More than two years, but not exceeding five years	1,189,517	385,270
More than five years	352,800	417,000
	3,509,413	3,092,288
Carrying amount of bank loans due for repayment after one year which contain a repayment on demand clause (shown under current liabilities)	1,695,851	2,134,731

Bank loans are secured by certain investment properties, property, plant and equipment, properties under development and short term bank deposits of the Group as set out in notes 17, 18, 27 and 30 respectively to the financial statements.

Following is the bank loan denominated in a currency other than the functional currency to which they relate:

	2011 RMB'000	2010 RMB'000
RMB — denominated bank loan	20,000	40,000

The fair values of the borrowings as at 31 December 2011 and 2010 approximate to their carrying amounts.

The analysis that shows the remaining contractual maturities of the Group's borrowings is set out in note 45.1(d) to these financial statements.

33. BORROWINGS *(Continued)*

Group *(Continued)*

The effective interest rates at the reporting date were as follows:

	2011	2010
Bank loans		
— HK$-denominated loans	HIBOR+1% p.a. to HIBOR+2.85% p.a.	HIBOR+1% p.a. to HIBOR+1.5% p.a.
— RMB-denominated loan	15% mark-up over the base rate	15% mark-up over the base rate
Other loans		
— HK$-denominated loans	N/A	HK$ Prime lending rate-1% p.a.

34. DEFERRED TAX LIABILITIES

The movement on the deferred tax liabilities is as follows:

Group

	2011 *HK$'000*	2010 *HK$'000* (Restated)
At 1 January	50,373	43,798
Deferred taxation charged to:		
— Profit or loss *(note 12)*	8,134	5,548
— Asset revaluation reserve	409	780
Exchange realignment	138	247
At 31 December	59,054	50,373

34. DEFERRED TAX LIABILITIES *(Continued)*

The following are the major deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the current and prior years:

	Accelerated tax depreciation		Fair value gains		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)		(Restated)
At 1 January, as restated	**38,480**	32,932	**11,893**	10,866	**50,373**	43,798
Charged to:						
— Profit or loss	**8,134**	5,548	**–**	–	**8,134**	5,548
— Asset revaluation reserve	**–**	–	**409**	780	**409**	780
Exchange realignment	**–**	–	**138**	247	**138**	247
At 31 December	**46,614**	38,480	**12,440**	11,893	**59,054**	50,373

As at 31 December 2011, the amount of unrecognised deferred tax assets mainly represented by tax effect of temporary differences attributable to unrecognised tax losses of HK$28,930,000 (2010: HK$22,351,000). The deductible temporary differences have not been recognised in the financial statements as it is not probable that taxable profit will be available against which the tax loss or other deductible temporary differences can be utilised due to the unpredictability of future profit streams. All tax losses and deductible temporary differences of the Group have no expiry dates under the current tax legislation.

The Group has deferred tax liabilities of approximately HK$1,692,000 as at 31 December 2011 (2010: HK$1,471,000) in respect of the aggregate amount of temporary differences associated with undistributed earnings of PRC subsidiaries have not been recognised. No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of its subsidiaries and it is probable that such difference will not be reversed in the foreseeable future.

Company

No deferred tax has been provided in the financial statements of the Company as there are no material temporary differences.

35. SHARE CAPITAL

	2011 Number of shares	2011 HK$'000	2010 Number of shares	2010 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid:				
At 1 January	**241,464,135**	**24,146**	240,034,135	24,003
Exercise of share options	**14,480,000**	**1,448**	1,430,000	143
Placing of shares *(note)*	**19,000,000**	**1,900**	–	–
At 31 December	**274,944,135**	**27,494**	241,464,135	24,146

Note: On 19 April 2011 and 1 June 2011, the Group completed top-up placings (the "Placings") of 9,000,000 and 10,000,000 new shares (collectively the "Placing Shares") of the Company to respective placee at HK$12.00 and HK$12.20 per share respectively. The proceeds were used as the general working capital of the Group. Of the gross proceeds of HK$230,000,000, amounts of HK$1,900,000 were credited to share capital and remaining of approximately HK$226,571,000, after deduction of issuing expenses of approximately HK$1,529,000, were credited to share premium.

36. RESERVES

Group

	2011 HK$'000	2010 HK$'000 (Restated)
Share premium *(note (a))*	**603,444**	294,619
Asset revaluation reserve	**34,895**	32,822
Employee share-based equity reserve	**10,681**	23,600
Retained profits (restated)	**9,432,300**	7,357,145
Exchange reserve	**32,362**	23,472
Special reserve *(note (b))*	**1,848**	1,848
Proposed final dividend *(note 15(a))*	**35,743**	24,156
	10,151,273	7,757,662

Notes:

(a) Share premium represents the excess of consideration received over the par value of share issued.

(b) The special reserve of the Group initially represented the difference between the nominal value of the share capital issued by the Company in exchange for the nominal value of the share capital of the subsidiaries pursuant to the Group's re-organisation in 1997.

Details of the movements in the above reserves are set out in the consolidated statement of changes in equity on pages 44 and 45 to the financial statements.

36. RESERVES *(Continued)*

Company

	Share premium HK$'000 *(note (a))*	Contributed surplus HK$'000 *(note (b))*	Employee share-based equity reserve HK$'000	Accumulated losses HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2010	287,498	2,145,224	16,788	(1,943,277)	24,023	530,256
Exercise of share options	7,121	–	(1,849)	–	–	5,272
Lapse of share options	–	–	(113)	113	–	–
Equity-settled share based payment *(note 37)*	–	–	8,774	–	–	8,774
Profit for the year	–	–	–	564	–	564
Under-provision for final dividend for 2009	–	(20)	–	–	20	–
Final dividend paid for 2009 *(note 15(b))*	–	–	–	–	(24,043)	(24,043)
Proposed final dividend for 2010 *(note 15(a))*	–	(24,156)	–	–	24,156	–
At 31 December 2010 and 1 January 2011	294,619	2,121,048	23,600	(1,942,600)	24,156	520,823
Exercise of share options	82,254	–	(21,235)	–	–	61,019
Lapse of share options	–	–	(615)	615	–	–
Placing of shares *(note 35)*	226,571	–	–	–	–	226,571
Equity-settled share based payment *(note 37)*	–	–	8,931	–	–	8,931
Loss for the year	–	–	–	(7,156)	–	(7,156)
Under-provision for final dividend for 2010	–	(936)	–	–	936	–
Final dividend paid for 2010 *(note 15(b))*	–	–	–	–	(25,092)	(25,092)
Proposed final dividend for 2011 *(note 15(a))*	–	(35,743)	–	–	35,743	–
At 31 December 2011	603,444	2,084,369	10,681	(1,949,141)	35,743	785,096

36. RESERVES *(Continued)*

Company *(Continued)*

Notes:

(a) Share premium represents the excess of consideration received over the par value of shares issued.

(b) The contributed surplus represents the difference between the nominal value of the Company's shares issued in exchange for all the issued ordinary shares of Lucky Spark Limited (a subsidiary) and the value of the net underlying assets of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to the shareholders under certain circumstances. However, the Company cannot declare or pay a dividend or make a distribution out of contribution surplus if:

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

(2) 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.

37. SHARE BASED EMPLOYEE COMPENSATION

Share options

The Company adopted a new share option scheme (the "2011 Share Option Scheme") at the annual general meeting held on 19 May 2011 (the "AGM 2011").

The share option scheme adopted on 22 July 2002 by the Company (the "2002 Share Option Scheme") was terminated immediately after the conclusion of the AGM 2011. However, the options granted under the 2002 Share Option Scheme and remain outstanding shall continue to be exercisable under the terms of issue.

The principal terms of the Share Option Scheme are set out as follows:

2002 Share Option Scheme

Purpose of the share option scheme

The purpose of the Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Eligible Participants of the share option scheme

(i) any executive or non-executive directors of the Group or any employees of the Group; (ii) any discretionary object of a discretionary trust established by any employee, executive or non-executive director of the Group; (iii) any consultant(s) and professional adviser(s) to the Group; (iv) Chief Executive (as defined under the Listing Rules) or Substantial Shareholder (as defined under the Listing Rules) of the Company; (v) Associates (as defined under the Listing Rules) of Director, Chief Executive or Substantial Shareholder of the Company; and (vi) employees of the Substantial Shareholder.

37. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

2002 Share Option Scheme *(Continued)*

Total number of securities issuable

The 2002 Share Option Scheme has been terminated and no further share options may be granted thereafter.

Amount payable to take up share options and time to accept offer

An offer for the granting of share options shall be accepted within 28 days from the offer date and by way of payment of consideration of HK$1.00.

2011 Share Option Scheme

Purpose of the share option scheme

The purpose of this Scheme is to encourage the participants to perform their best in achieving the goals of the Company and at the same time allow the participants to enjoy the results of the Company attained through their efforts and contributions.

Eligible Participants of the share option scheme

(i) any full time employee and director (any existing or proposed executive or non—executive directors) of the Group or any member of the Group and any part-time employee with weekly working hours of 10 hours or above of the Group; (ii) any advisor, consultants or agent to the Group; any provider of goods and/or services to the Group; or any other person who, at the sole discretion of the Board, has contributed or may contribute to the Group; (iii) any trustee of any trust (whether family, discretionary) whose beneficiaries or objects include any employee or business association of the Group.

Total number of securities issuable

The total number of shares which may be issued upon exercise of all share options to be granted under the 2011 Share Option Scheme and any other share option scheme of the Company shall not exceed 10% of the total number of shares in issue as at the adoption date of the 2011 Share Option Scheme provided that the share options lapsed will not be counted for the purpose of calculating such 10% limit.

At the AGM 2011 of the Company convened on 19 May 2011, the said 10% limit of number of shares available for issue was 25,091,413 shares.

37. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

2011 Share Option Scheme *(Continued)*

Under the 2011 Share Option Scheme, the Company may obtain a fresh approval from its shareholder in general meeting to refresh the above mentioned 10% limit. In such event, the total number of shares in respect of which share options may be granted under the 2011 Share Option Scheme and any other share option schemes of the Company shall not exceed 10 % of the total number of shares in issue as at the date of such approval provided that share options previously granted under the 2011 Share Option Scheme (including those outstanding, cancelled, lapsed or exercised share options) will not be counted for the purpose of calculating such 10% limit.

Notwithstanding anything hereinbefore contained and subject to the maximum entitlement of each participant hereinafter mentioned, the maximum number of shares which may be issued upon exercise of all outstanding share option granted and yet to be granted under the 2011 Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such other higher percentages as may be allowed under the Listing Rules) of the total number of shares in issue from time to time.

As at the date of this annual report, the total number of shares available for issue under the 2011 Share Option Scheme was 19,531,413 representing approximately 7.10% of the Company's shares in issue as at that date.

Maximum entitlement of each employee/participant

Unless separately approved by the shareholders of the Company in general meeting with the particular Participant (as defined in the 2011 Share Option Scheme) and his or her associate (as defined under the Listing Rules) abstaining from voting, the total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12 months period shall not exceed 1% of the total number of shares in issue.

Period to take up share options and minimum period to hold before exercise

Under the 2011 Share Option Scheme, the period which the shares must be taken up under a share option and the minimum period, if any, for which a share option must be held before it can be exercised are to be decided by the Directors of the Company upon granting the relevant share options. Details of such information (if any) relating to the outstanding share options are set out below.

37. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

2011 Share Option Scheme *(Continued)*

Amount payable to take up share options and time to accept offer

An offer for the granting of share options shall be accepted within 21 days from the offer date and by way of payment of consideration of HK$1.00.

Exercise price

The exercise price shall be a price determined by the board of directors of the Company and shall be at least the higher of:

(i) the closing price of the shares quoted on the Stock Exchange on the offer date;

(ii) a price being the average of the closing prices of the shares as quoted in the Stock Exchange for the 5 trading days immediately preceding the offer date;

(iii) the nominal value of the shares.

Life of the Scheme

The 2011 Share Option Scheme has a life of 10 years from its adoption date.

37. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

As at the reporting date, details of outstanding options granted to several Directors and various employees of the Group are as follows:

2002 Share Option Scheme and 2011 Share Option Scheme

Name of grantee	Date of grant	Closing price immediately preceding the date of grant *(HK$)*	Exercise price *(HK$)*	Weighted average closing price of shares immediately before exercise date *(HK$)*	Exercisable period	Number of Options: As at 1 January 2011	Number of Options: Granted during the year	Number of Options: (Exercised)/ (Lapsed)* during the year	Number of Options: As at 31 December 2011	Fair value of options granted *(HK$'000)*
Directors										
Foo Kam Chu, Grace	19/7/2007	6.17	6.17	13.02	18/1/2008 to 21/7/2012	600,000	–	(600,000)	–	–
	28/10/2008	1.50	1.76	13.02	27/4/2009 to 21/7/2012	600,000	–	(600,000)	–	–
	9/11/2009	4.84	4.94	13.02	9/11/2010 to 21/7/2012	600,000	–	(600,000)	–	–
	12/11/2010	8.18	8.15	N/A	12/11/2011 to 21/7/2012	600,000	–	–	600,000	–
	6/12/2011[#]	8.60	8.71	N/A	6/12/2012 to 5/12/2015	–	550,000	–	550,000	1,275
Chan Wai Ling	19/7/2007	6.17	6.17	13.02	18/1/2008 to 21/7/2012	2,000,000	–	(2,000,000)	–	–
	28/10/2008	1.50	1.76	13.02	27/4/2009 to 21/7/2012	2,000,000	–	(2,000,000)	–	–
	9/11/2009	4.84	4.94	13.02	9/11/2010 to 21/7/2012	2,000,000	–	(2,000,000)	–	–
	12/11/2010	8.18	8.15	N/A	12/11/2011 to 21/7/2012	2,000,000	–	–	2,000,000	–
	6/12/2011[#]	8.60	8.71	N/A	6/12/2012 to 5/12/2015	–	2,000,000	–	2,000,000	4,634
Kong Siu Man, Kenny	9/11/2009	4.84	4.94	N/A	9/11/2010 to 21/7/2012	120,000	–	–	120,000	–
	12/11/2010	8.18	8.15	N/A	12/11/2011 to 21/7/2012	250,000	–	–	250,000	–
	6/12/2011[#]	8.60	8.71	N/A	6/12/2012 to 5/12/2015	–	300,000	–	300,000	695
Tse Wai Hang	12/11/2010	8.18	8.15	8.71	12/11/2011 to 21/7/2012	50,000	–	(50,000)	–	–
Lau Kam Kwok, Dickson (appointed on 29/12/2011)	12/11/2010	8.18	8.15	N/A	12/11/2011 to 21/7/2012	30,000[△]	–	–	30,000	–
	6/12/2011[#]	8.60	8.71	N/A	6/12/2012 to 5/12/2015	–	120,000	–	120,000	278

37. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

2002 Share Option Scheme and 2011 Share Option Scheme *(Continued)*

						Number of Options				
Name of grantee	Date of grant	Closing price immediately preceding the date of grant *(HK$)*	Exercise price *(HK$)*	Weighted average closing price of shares immediately before exercise date *(HK$)*	Exercisable period	As at 1 January 2011	Granted during the year	(Exercised)/ (Lapsed)* during the year	As at 31 December 2011	Fair value of options granted *(HK$'000)*
Liang Yanfeng	8/1/2007	2.60	2.52	13.20	20/5/2007 to 19/5/2012	90,000	–	(90,000)	–	–
	19/7/2007	6.17	6.17	13.20	18/1/2008 to 21/7/2012	90,000	–	(90,000)	–	–
	28/10/2008	1.50	1.76	13.20	27/4/2009 to 21/7/2012	90,000	–	(90,000)	–	–
Meng Qinghui	4/7/2005	2.35	2.38	N/A	4/1/2006 to 3/1/2011	90,000	–	(90,000)*	–	–
	19/12/2006	2.69	2.52	N/A	20/5/2007 to 19/5/2012	90,000	–	(90,000)*	–	–
	19/7/2007	6.17	6.17	N/A	18/1/2008 to 21/7/2012	90,000	–	(90,000)*	–	–
	28/10/2008	1.50	1.76	N/A	27/4/2009 to 21/7/2012	90,000	–	(90,000)*	–	–
Other employees	19/7/2007	6.17	6.17	13.06	18/1/2008 to 21/7/2012	2,270,000	–	(2,190,000)	80,000	–
	28/10/2008	1.50	1.76	13.09	27/4/2009 to 21/7/2012	2,030,000	–	(2,030,000)	–	–
	9/11/2009	4.84	4.94	13.03	9/11/2010 to 21/7/2012	2,340,000	–	(2,140,000)	200,000	–
	12/11/2010	8.18	8.15	N/A	12/11/2011 to 21/7/2012	2,640,000△	–	(110,000)*	2,530,000	–
	6/12/2011#	8.60	8.71	N/A	6/12/2012 to 5/12/2015	–	2,590,000	–	2,590,000	6,001
						20,760,000	5,560,000	(14,950,000)	11,370,000	12,883

\# Share options 5,560,000 were granted under 2011 Share Option Scheme on 6 December 2011 (the "Grant Date"), and the vesting schedule of the share options granted are as follows:

(a) 50% of the options can be exercised at any time after first anniversary of the Grant Date ("Tranche A");

(b) 25% of the options can be exercised at any time after second anniversary of the Grant Date ("Tranche B"); and

(c) The remaining 25% of the Options can be exercised at any time after third anniversary of the Grant Date ("Tranche C").

△ 30,000 options were reclassified from other employees to Director following the appointment of Mr. Lau Kam Kwok, Dickson as Director on 29 December 2011.

37. SHARE BASED EMPLOYEE COMPENSATION *(Continued)*

2011 Share Option Scheme

The fair value of the options granted during the year under the 2011 Share Option Scheme determined at the date of grant using the Black-Scholes Option Pricing Model was HK$12,883,000.

Date of grant	Tranche A 6 December 2011	Tranche B 6 December 2011	Tranche C 6 December 2011
Closing share price immediately preceding the date of grant	HK$8.59 per share	HK$8.59 per share	HK$8.59 per share
Expected volatility (based on the annualised historical volatility of the closing price of the shares of the Company for the past five years to the dates of grant)	42.66%	45.55%	47.32%
Expected life (in years)	2.501	3.001	3.501
Risk-free interest rate	0.375%	0.443%	0.545%
Expected dividend yield	1.163%	1.163%	1.163%

As at 31 December 2011, 5,810,000 (2010: 15,190,000) share options under the 2002 Share Option Scheme are exercisable; no share options under the 2011 Share Option Scheme are exercisable.

The share options vest upon the commencement of the exercisable period and the total vested amount of HK$8,931,000 (2010: HK$8,774,000) was expensed through the profit or loss.

38. COMMITMENTS

(a) Operating lease commitments

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

Group

	2011 HK$'000	2010 HK$'000
Within one year	1,276	1,297
In the second to fifth years inclusive	407	—
	1,683	1,297

The Group leases a number of properties under operating leases. The leases run for period of one to two years. None of the leases includes contingent rentals.

(b) Capital commitments

Group

	2011 HK$'000	2010 HK$'000
Contracted but not provided for:		
— Construction costs and services expenses of property development	289,870	237,391
— Acquisition of properties	20,554	309,231
— Capital contribution to PRC subsidiaries of property development business	31,610	14,140
	342,034	560,762

All capital commitments are due for contribution in the coming twelve months.

Company

The Company does not have any significant commitments as at 31 December 2011 (2010: Nil).

39. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December 2011, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings as follows:

	2011 *HK$'000*	2010 *HK$'000*
Within one year	237,495	178,074
In the second to fifth years inclusive	271,094	111,541
	508,589	289,615

The Group leases its investment properties (note 17) under operating lease arrangements which run for an initial period of one to three 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 terms of the leases also require the tenants to pay rental deposits.

40. CONTINGENT LIABILITIES

(a) During the course of business, certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the reporting date, those bank balances which were held on behalf of third parties and were not accounted for in the books of account and financial statements of the Group amounted to HK$4,322,000 (2010: HK$4,816,000).

(b) Since the Group commenced legal proceedings HCA 1902/2009 against a joint venture partner in 2009, with whom the Group has a joint venture agreement for the development and construction of village houses in the New Territories, the Group filed an amended statement of claim in November 2011. The exchange of pleadings are still ongoing and the trial date is yet to be fixed by court.

According to the legal advice taken by the Group, the Directors are of the opinion that the Group has a fair chance to succeed in the lawsuit and hence no provision was made for this legal proceeding as at reporting date.

41. FINANCIAL GUARANTEE CONTRACTS

The Company has executed guarantees amounting to HK$4,204,399,000 (2010: HK$3,650,834,000) with respect to bank loans to its subsidiaries, which are also secured against properties held by those subsidiaries. Under the guarantees, the Company would be liable to pay the bank if the bank is unable to recover the loans. At the reporting date, no provision for the Company's obligation under the guarantee contracts has been made as the Directors consider that it was not probable that the repayment of the loan would be in default.

42. RELATED PARTY TRANSACTIONS

The following transactions with related parties were, in the opinion of the Directors, carried out in the ordinary course of business during the year:

(a) A subsidiary of the Company entered into a tenancy agreement with a related company, in which the Chairman and an executive director of the Company have equity interests respectively, for leasing a residential property situated in Hong Kong for a period of one year commencing from 1 May 2010 and expiring on 30 April 2011 at a monthly rental of HK$80,000. Total rental paid for the year ended 31 December 2011 amounted to HK$320,000 (2010: HK$960,000).

(b) A subsidiary of the Company entered into a tenancy agreement with a related company, in which an executive director of the Company has material equity interests, for leasing a residential property situated in Hong Kong for a period of one year commencing from 1 September 2010 and expiring on 31 August 2011 at a monthly rental of HK$50,000. The tenancy agreement was renewed for a period of one year commencing from 1 September 2011 and expiring on 1 August 2012 at a monthly rental of HK$50,000. Total rental paid for the year ended 31 December 2011 amounted to HK$600,000 (2010: HK$560,000).

(c) Certain subsidiaries of the Company entered into tenancy agreements with a related company, in which the Chairman and an executive director of the Company have interests, for leasing office units of a building situated at Guangzhou, PRC for office purpose. The total rental and management charges paid for the year amounted to HK$1,356,000 (2010: HK$1,343,000).

42. RELATED PARTY TRANSACTIONS *(Continued)*

(d) On 27 February 2011, a related company in which the Chairman and an executive director of the Company have interests, has agreed to increase an unsecured revolving credit facility amount to HK$150,000,000 from HK$100,000,000 to wholly owned subsidiary of the Group and extend the maturity date to 30 April 2014. On 15 September 2011, interest rate on Hong Kong dollars lending had been changed to prime lending rate plus 1% per annum. For RMB loan, interest rate is the RMB loan (for tenure of 1-3 years) interest rate specified by Bank of China plus 1.5% per annum. As at 31 December 2011, the unsecured revolving credit facility was not utilised (2010: HK$66,370,000).

(e) On 11 July 2011, a subsidiary of the Company entered into an agreement with a related party, who is a close family member of the Chairman and an executive director of the Company, for purchasing the property at a consideration of HK$5,500,000 (2010: Nil).

(f) Key management personnel compensation:

	2011 *HK$'000*	2010 *HK$'000*
Basic salaries and other benefits	20,034	16,488
Pension costs — defined contribution plan	95	121
Equity-settled share based payment	8,585	8,750
	28,714	25,359

43. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

	2011 HK$'000	2010 HK$'000
Net assets/(liabilities) disposed of:		
Property, plant and equipment	–	9
Property held for development *(note 19)*	–	5,278
Cash and cash equivalents	20,855	67
Other receivables, prepayments and deposits	3,105	11,517
Inventories	–	200
Other payables and accruals	(422)	(12,710)
Provision for income tax	(20,853)	(3,020)
Non-controlling interests	–	(5,116)
Release of exchange reserve upon disposal/ deregistration	–	(281)
	2,685	(4,056)
(Loss)/Gain on disposal/deregistration of subsidiaries	(2,685)	7,520
Total consideration	–	3,464
Satisfied by:		
Waiver of an amount due from the disposed subsidiary	–	(12,135)
Waiver of an amount due to the deregistered subsidiary by the Group	–	2,258
Cash	–	13,341
	–	3,464

An analysis of net (outflow)/inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2011 HK$'000	2010 HK$'000
Net cash (outflow)/inflow arising on disposal:		
Cash consideration received	–	13,341
Bank and cash balances disposed of	(20,855)	(67)
	(20,855)	13,274

44. ASSETS ACQUISITIONS

For the year ended 31 December 2011, the Group did not have any asset acquisition.

On 24 February 2010, the Group acquired 85% equity interest in 高要市金城房地產發展有限公司 ("高要金城"). Upon completion of the acquisition, 高要金城 was converted into a Sino Foreign Equity Joint Venture Enterprise to carry out land development. 高要金城 has the right to develop a residential and commercial project located at Zhaoqing, the PRC.

高要金城 held a piece of land with no associated operation at the date of acquisition. The underlying set of assets acquired was not integrated in forming a business to generate revenues. As such, the Directors are of the opinion that the acquisition of 高要金城 was a purchase of net assets which did not constitute a business combination for accounting purpose.

	Acquiree's carrying amount	**Fair Value**
	HK$'000	*HK$'000*
Properties under development *(note 27)*	7,686	80,940
Prepayments and other receivables	5,193	5,193
Other payables	(9,425)	(9,425)
Net assets	3,454	76,708
Non-controlling interests (15%)		(11,505)
Net assets acquired		65,203
Satisfied by:		
Cash		65,203
Net cash outflow arising on acquisition:		
Purchase consideration settled in cash		(65,203)

45. FINANCIAL INSTRUMENTS

45.1 Financial risk management objectives and policies

The Group is exposed to market risk, specifically to credit risk, liquidity risk, currency risk, and interest rate risk in the normal course of business. The Group does not have any written risk management policies and guidelines. However, the Directors meets periodically to analyse and formulate measures to manage the Group's exposure to the market risk.

Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to the market risk is kept to a minimum level, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The most significant financial risks to which the Group is exposed to are described below. A summary of the Group's financial assets and liabilities by category is disclosed in note 45.2.

(a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Group is exposed to interest rate risk through the impact of interest rate changes on its interest bearing borrowings, and cash and cash equivalents. The interest rates and repayment terms of the Group's cash and cash equivalents and borrowings are disclosed in notes 30 and 33 respectively. The Group currently does not have an interest rate hedging policy. However, the Group closely monitors its loan portfolio and compares the interest margin under loan agreements with existing banks against new offers on borrowing rates from different banks in the loan re-financing and negotiation process.

The policies to manage interest rate risk have been followed by the Group since prior year are considered to be effective.

Interest rate sensitivity analysis

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to variable-rate financial instruments at that date. The 25 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for the year ended 31 December 2010.

45. FINANCIAL INSTRUMENTS *(Continued)*

45.1 Financial risk management objectives and policies *(Continued)*

(a) *Interest rate risk* *(Continued)*

Interest rate sensitivity analysis (Continued)

At 31 December 2011, it is estimated that a general increase of 25 basis points in interest rates, with all other variable held constant, would decrease the Group's profit after tax and retained profits by approximately HK$4,005,000 (2010: HK$4,650,000), increase the interest capitalised into the Group's investment properties and properties under development by HK$1,188,000 and HK$1,390,000 respectively (2010: HK$1,168,000 and HK$450,000 respectively). There is no impact on other components of consolidated equity in response to the general increase in interest rates. A decrease of 25 basis points in interest rate would have had the equal but opposite effect on the above financial instruments to the amounts shown above, on the basis that all other variables remain constant.

(b) *Credit risk*

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. The carrying amounts of these financial assets presented in the consolidated statement of financial position are net of impairment losses. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, other than those property leasing rental receivables which are secured by rental deposits, the Group does not obtain collateral from other customers. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 28.

The Group has deposited its cash with various banks. The credit risk on cash and bank balances is limited because most of the Group's bank deposits are deposited with major banks located in Hong Kong and the PRC.

The policies to manage credit risk have been followed by the Group since prior year are considered to have been effective.

45. FINANCIAL INSTRUMENTS *(Continued)*

45.1 Financial risk management objectives and policies *(Continued)*

(c) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group/Company mainly operates and invests in Hong Kong and the PRC with most of the transactions denominated and settled in HK$ and RMB respectively. No foreign currency risk has been identified for the financial assets in the PRC as they were denominated in a currency same as the functional currencies of the group entities to which these transactions relate.

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade payables, accrued expenses and other payables and borrowings, and also in respect of its cash flow management. The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realisation of its assets if required. The Directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

The following tables detail the remaining contractual maturities at the reporting date 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 reporting date) and the earliest date the Group can be required to pay. Specifically, for term loans which contain a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

45. FINANCIAL INSTRUMENTS *(Continued)*

45.1 Financial risk management objectives and policies *(Continued)*

(d) Liquidity risk *(Continued)*

Group

	31 December 2011 Maturity Analysis — Undiscounted cash outflows		
	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*
Trade payables	65,209	65,209	65,209
Accrued expenses and other payables	142,118	142,118	142,118
Bank loans, secured	24,000	24,688	24,688
Bank loans, secured, subject to repayment on demand clause	3,485,413	3,485,413	3,485,413
	3,716,740	3,717,428	3,717,428

	31 December 2010 Maturity Analysis — Undiscounted cash outflows		
	Carrying amount *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Within 1 year or on demand *HK$'000*
Trade payables	54,004	54,004	54,004
Accrued expenses and other payables	111,602	111,602	111,602
Bank loans, secured	47,140	49,094	49,094
Bank loans, secured, subject to repayment on demand clause	2,978,778	2,978,778	2,978,778
Other loans	66,370	67,930	67,930
	3,257,894	3,261,408	3,261,408

45. FINANCIAL INSTRUMENTS *(Continued)*

45.1 Financial risk management objectives and policies *(Continued)*

(d) Liquidity risk *(Continued)*

The table that follows summarises the maturity analysis of the terms loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "within 1 year or on demand" time band in the maturity analysis shown above. Taking into account the Group's financial position, the Directors do not consider that it is probable that the banks will exercise its discretion to demand immediate repayment. The Directors believe that such terms will be repaid in accordance with the scheduled repayment dates set out in their loan agreements.

	Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayment dates					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but not exceeding 2 years	More than 2 years but not exceeding 5 years	More than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2011	**3,485,413**	**3,639,696**	**1,833,994**	**183,602**	**1,254,214**	**367,886**
31 December 2010	2,978,778	3,061,958	889,022	1,362,053	412,195	398,688

Company

	31 December 2011		
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand
	HK$'000	*HK$'000*	*HK$'000*
Accrued expenses and other payables	196	196	196
Financial guarantee issued Maximum amount guaranteed	4,204,399	4,204,399	4,204,399

45. FINANCIAL INSTRUMENTS *(Continued)*

45.1 Financial risk management objectives and policies *(Continued)*

(d) Liquidity risk *(Continued)*

Company *(Continued)*

	31 December 2010		
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
Accrued expenses and other payables	233	233	233
Financial guarantee issued			
Maximum amount guaranteed	3,650,834	3,650,834	3,650,834

In view of cash outflows arising from short-term liabilities and capital commitment (note 38(b)), the Directors consider the Group will be able to meet its obligations when they fall due for the following reasons:

(i) a related company granted an unsecured revolving credit facility with unutilised portion of HK$150,000,000 with maturity date on 30 April 2014 (note 42(d));

(ii) a consistent cash inflow is generated by steady rental income from its property leasing business;

(iii) with net assets of HK$10,277,734,000 (2010: HK$7,872,806,000 (restated)), the Group should be able to secure additional loan facilities, if necessary.

45. FINANCIAL INSTRUMENTS *(Continued)*

45.2 Summary of financial assets and liabilities by category

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at the reporting dates are catergorised as follows. See notes 4.11(i) and 4.11(iv) for explanations about how the categorisation of financial instruments affects their subsequent measurements.

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Available-for-sale financial assets	**10**	10	**–**	–
Loans and receivables				
– Trade receivables, net	**89,235**	97,653	**–**	–
– Other receivables, net	**6,131**	12,377	**–**	–
– Amount due from a jointly-controlled entity	**47,300**	45,490	**–**	–
– Amount due from a subsidiary	**–**	–	**267,356**	–
Bank deposit at escrow account	**185,675**	237,766	**–**	–
Cash and cash equivalents	**571,944**	217,779	**139**	33
	900,295	611,075	**267,495**	33
Financial liabilities				
At amortised cost				
– Trade payables	**(65,209)**	(54,004)	**–**	–
– Accrued expenses and other payables	**(142,118)**	(111,602)	**(196)**	(233)
– Bank loans, secured	**(3,509,413)**	(3,025,918)	**–**	–
– Other loans	**–**	(66,370)	**–**	–
	(3,716,740)	(3,257,894)	**(196)**	(233)

46. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its shareholders and benefits for other stakeholders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the current and previous years.

The Group monitors capital on the basis of debt to equity ratio, which is net debt divided by total capital. Net debt is calculated as the sum of its borrowings, and trade and other payables less cash and cash equivalents as shown in the consolidated statement of financial position. Total capital is calculated as total equity, as shown in the consolidated statement of financial position. The Group aims to maintain the debt to equity ratio at manageable level.

	2011 *HK$'000*	2010 *HK$'000* (Restated)
Trade and other payables	312,427	233,511
Borrowings, secured	3,509,413	3,092,288
Total debt	3,821,840	3,325,799
Less: Cash and cash equivalents	(571,944)	(217,779)
Net debt	3,249,896	3,108,020
Total equity	10,277,734	7,872,806
Net debt to equity ratio	0.32:1	0.39:1

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2011 are as follows:

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/registered capital	Percentage of interest held by the Company Directly	Indirectly	Principal activities
Gold Loyal Properties Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Property investment
Golden Relay Company Limited	Hong Kong	99,998 ordinary shares of HK$1 each 2 non-voting deferred shares of HK$1 each	–	100%	Property investment
Goldprofit (Consultant) Services Company Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Provision of building repairs, maintenance and cleaning services
Goldwell Property Management Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Provision of building management service
Good Honest Properties Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Property investment
Grape Trade Limited	British Virgin Islands	50,000 ordinary shares of US$1 each	–	100%	Investment holding
Haven Investment Properties Limited (formerly known as "Haven Properties Limited")	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Property development
Jilin Properties Limited (formerly known as "Warren properties Limited")	Hong Kong	99 ordinary shares of HK$1 each 1 non-voting deferred share of HK$1	–	100%	Property investment
Maxrise Construction Engineering Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Provision for construction, repairs and maintenance services
Sky Luck (China) Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Property investment
School Investment Properties Limited (formerly known as "Full Harvest Limited")	Hong Kong	1 ordinary share of HK$1 each	–	100%	Property investment
Soundwill (BVI) Limited	British Virgin Islands	100,001,000 ordinary shares of HK$1 each	100%	–	Investment holding
Soundwill (China) Limited	Hong Kong	Issued share capital of HK$261,500,213	–	100%	Investment holding
Soundwill Real Estate (China) Limited	British Virgin Islands	1 ordinary share of US$1 each	–	100%	Investment holding
Strong Well Property Management Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Provision of building management service
Tang Lung Investment Properties Limited (formerly known as "Keyland Limited")	Hong Kong	1,000 ordinary shares of HK$1 each	–	100%	Property investment
Treasure Wealth Properties Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Property investment
Vast Crown Enterprise Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Property investment
Warren Investment Properties Limited (formerly known as "Good Faith Properties Limited")	Hong Kong	1 ordinary share of HK$1 each	–	100%	Property development
珠海市山水花城物業管理有限公司*	PRC	Registered capital of RMB25,000,000	–	51%	Property development
廣州天峰裝飾設計有限公司*/**	PRC	Registered capital of HK$12,500,000 Paid-up capital of HK$3,750,000	–	100%	Provision of building renovation and management service
高要市金城房地產發展有限公司*	PRC	Registered capital of RMB30,000,000	–	85%	Property development
漳州金達房地產開發有限公司 */**	PRC	Registered capital of RMB23,580,000	–	100%	Property development
廣州金朝陽城市管網建設有限公司**	PRC	Registered capital of RMB10,000,000	–	100%	Urban infrastructure development
山東金朝陽城市管網建設有限公司**	PRC	Registered capital of HK$10,000,000	–	100%	Urban infrastructure development

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries at 31 December 2011 are as follows: *(Continued)*

Name	Place of incorporation/ operations	Particulars of nominal value of issued share capital/registered capital	Percentage of interest held by the Company Directly	Indirectly	Principal activities
萍鄉金朝陽城市管網建設投資有限公司*	PRC	Registered capital of RMB10,000,000	–	100%	Urban infrastructure development
景德鎮城市管網建設投資管理有限公司***	PRC	Registered capital of HK$8,000,000	–	80%	Urban infrastructure development
黃岡市城市管網建設投資有限公司***	PRC	Registered capital of HK$12,500,000	–	80%	Urban infrastructure development
威海市城市管網建設投資有限公司***	PRC	Registered capital of HK$20,000,000	–	80%	Urban infrastructure development
鄂州金朝陽城市管網建設投資有限公司***	PRC	Registered capital of HK$10,000,000	–	80%	Urban infrastructure development
柳州城市管網建設管理有限公司***	PRC	Registered capital of HK$30,000,000	–	80%	Urban infrastructure development
貴港金朝陽城市管網建設管理有限公司***	PRC	Registered capital of HK$20,000,000	–	80%	Urban infrastructure development
南昌城市管網建設投資有限公司***	PRC	Registered capital of HK$30,000,000	–	80%	Urban infrastructure development
南平市(金朝陽)城市管道建設投資管理有限公司***	PRC	Registered capital of HK$13,748,000	–	80%	Urban infrastructure development
韶關城市管網建設投資管理有限公司***	PRC	Registered capital of HK$16,000,000	–	80%	Urban infrastructure development
許昌市市政公用管網投資建設管理有限公司***	PRC	Registered capital of HK$6,000,000	–	80%	Urban infrastructure development
玉溪市城市管道建設有限公司***	PRC	Registered capital of HK$20,000,000	–	80%	Urban infrastructure development
寶雞市城市管網建設投資有限公司***	PRC	Registered capital of HK$20,000,000	–	80%	Urban infrastructure development

Notes:

* These subsidiaries were established in PRC as limited liability companies.

** These subsidiaries were established in PRC as foreign wholly-owned limited liability companies.

*** These subsidiaries were established in PRC as cooperative joint ventures with limited liability.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries would be of excessive length and therefore the above list contains only the particulars of the principal subsidiaries which materially affect the results or assets of the Group.

48. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2011 were approved and authorised for issue by the Directors on 21 March 2012.

Appendix I — List of Major Properties Held as at 31 December 2011

Location	Approximate gross floor area (sq.ft.)	Interest attributable to the Group	Land use	Lease term
Soundwill Plaza 38 Russell Street, Causeway Bay, Hong Kong	246,400	100%	Commercial	Long-term lease
1-29 Tang Lung Street, Causeway Bay, Hong Kong	148,800	100%	Commercial	Long-term lease
11-13 Sharp Street East and 1-1A Yiu Wa Street, Causeway Bay, Hong Kong	48,000	100%	Commercial	Long-term lease
13-15 Mercury Street	38,600	100%	Commercial	Long-term lease
中國廣東省珠海市斗門區井岸鎮五福村五福圍	823,800#	51%	Residential	Medium-term lease

Based on latest plan submitted.

Appendix II — Major Properties Under Development as at 31 December 2011

Location	Approximate gross floor area (sq.ft.)	Interest attributable to the Group	Project status	Expected completion date
WarrenWoods 13-27 Warren Street, Tai Hang, Hong Kong	93,000	100%	Construction in progress	Mid 2012
Park Haven 32-50 Haven Street, Causeway Bay, Hong Kong	131,000	100%	Construction in progress	2013/2014
龍鳳春曉 中國廣東省珠海市斗門區井岸鎮港霞路	589,000	51%	Construction in progress	Mid 2012
金朝陽 — 領都 中國福建省長泰武安鎮建設南路	75,000	100%	Construction in progress	Mid 2012
高要一景湖灣 長泰縣武安鎮建設南路	992,800	85%	Construction in progress	Ph1-Mid 2012 Ph2-Under planning

Appendix III — Five-year Financial Summary

The following is a summary of the consolidated results and of the consolidated assets and liabilities of Soundwill Holdings Limited and its subsidiaries for the last five financial years, as extracted from the published audited financial statements and restated upon the adoption of the revised/amended Hong Kong Financial Reporting Standards as appropriate. This summary does not form part of the audited financial statements.

CONSOLIDATED RESULTS

	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Turnover	**901,690**	913,714	713,714	338,991	464,673
Profit before income tax	**2,183,422**	2,122,979	1,238,788	154,786	1,270,108
Income tax expense	**(64,372)**	(56,551)	(29,675)	(26,405)	(16,280)
Profit for the year	**2,119,050**	2,066,428	1,209,113	128,381	1,253,828
Profit attributable to owners of the Company	**2,111,219**	2,059,658	1,214,283	131,410	1,254,175
Non-controlling interests	**7,831**	6,770	(5,170)	(3,029)	(347)
	2,119,050	2,066,428	1,209,113	128,381	1,253,828

CONSOLIDATED ASSETS AND LIABILITIES

	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)	(Restated)	(Restated)
Non-current assets	**11,296,772**	10,220,206	7,311,591	6,285,001	5,512,874
Net current (liabilities)/assets	**(959,984)**	(2,297,027)	(1,495,557)	(1,697,280)	262,051
Non-current liabilities	**(59,054)**	(50,373)	(43,798)	(41,931)	(1,393,666)
Non-controlling interests	**(98,967)**	(90,998)	(56,588)	(33,472)	(22,052)
Equity attributable to owners of the Company	**10,178,767**	7,781,808	5,715,648	4,512,318	4,359,207

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Soundwill Holdings Limited ("the Company") will be held at 3:00 p.m., on Wednesday, 16 May 2012 at 36th Floor, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditor for the year ended 31 December 2011;

2. To declare a final dividend for the year ended 31 December 2011;

3. To elect directors and to authorise the board of directors of the Company to fix the remuneration of the directors;

4. To re-appoint auditor and to authorise the board of directors of the Company to fix their remuneration; and

5. As special business, to consider and, if thought fit, pass the following ordinary resolutions, with or without modifications:

ORDINARY RESOLUTIONS

A. "**THAT**:

(a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase shares of HK$0.10 each in the capital of the Company ("Shares") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) the aggregate number of Shares to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent. of the number of Shares in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by applicable laws of Bermuda or the Company's Bye-laws to be held; or

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting."

B. "**THAT**:

(a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares of HK$0.10 each in the capital of the Company ("Shares") and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) of this Resolution shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into Shares) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted or issued or dealt with (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of Shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to the grantees as specified in such scheme or similar arrangement of Shares or rights to acquire Shares; or (iii) an issue of Shares upon the exercise of subscription or conversion rights under the terms of any existing warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into Shares; or (iv) an issue of Shares as scrip dividends pursuant to the Bye-laws of the Company from time to time, shall not exceed 20 per cent. of the number of Shares in issue at the date of passing of this Resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution,

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company; or

(ii) the expiration of the period within which the next annual general meeting of the Company is required by applicable laws of Bermuda or the Company's Bye-laws to be held; or

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

"Rights Issue" means an offer of Shares or issue of option, warrants or other securities giving the right to subscribe for Shares, open for a period fixed by the directors of the Company to holders of Shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate, such other securities) (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

C. “**THAT** conditional upon the passing of Ordinary Resolutions Nos. 5A and 5B set out in the notice convening this meeting (“this Notice”), the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares of HK$0.10 each in the capital of the Company (“Shares”) pursuant to Resolution No. 5B set out in this Notice be and is hereby extended by the addition thereto of an amount representing the aggregate number of Shares repurchased by the Company under the authority granted pursuant to Resolution No. 5A set out in this Notice, provided that such extended amount shall not exceed 10 per cent. of the number of Shares in issue at the date of passing of this Resolution.”

By Order of the Board
Foo Kam Chu, Grace
Chairman

Hong Kong, 12 April 2012

Head Office and Principal Place of Business:
21st Floor, Soundwill Plaza
38 Russell Street
Causeway Bay
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a member of the Company.

2. For Annual General Meeting, the register of members of the Company will be closed from Monday, 14 May 2012 to Wednesday, 16 May 2012 (both dates inclusive). In order to determine the shareholders who are entitled to attend and vote at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong by not later than 4:00 p.m. Friday, 11 May 2012.

3. In order to be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be delivered to the Company’s principal office in Hong Kong at 21/F, Soundwill Plaza, 38 Russell Street, Causeway Bay, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjourned meeting.

4. The Register of members of the Company will be closed from Tuesday, 22 May 2012 to Wednesday, 23 May 2012 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Monday, 21 May 2012.

金朝陽集團有限公司
SOUNDWILL HOLDINGS LIMITED

INCORPORATED IN BERMUDA WITH LIMITED LIABILITY
於百慕達註冊成立之有限公司
STOCK CODE 股份代號 0878