2011 ANNUAL REPORT

南海控股有限公司
二零一一年度　年報

南海控股
NAN HAI CORPORATION LIMITED
Stock Code：680　股份代號：680

Contents

CORPORATE INFORMATION

Directors

Executive
Mr. YU Pun Hoi *(Chairman)*
Ms. CHEN Dan
Ms. LIU Rong
Mr. WANG Gang

Non-executive
Mr. LAM Bing Kwan

Independent Non-executive
Mr. HUANG Yaowen
Prof. JIANG Ping
Mr. LAU Yip Leung

Company Secretary

Mr. WATT Ka Po James

Auditor

BDO Limited
Certified Public Accountants
Hong Kong

Bermuda Legal Advisers

Appleby

Principal Place of Business in Hong Kong

Units 15–18, 36/F.,
China Merchants Tower, Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Registered Office

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Principal Registrar

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

Hong Kong Share Registrar and Transfer Office

Tricor Abacus Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Stock Code

680

Principal Bankers

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

Website Address

http://www.nanhaicorp.com

CHAIRMAN'S STATEMENT

For the year ended 31 December 2011, the loss attributable to owners of the Company and its subsidiaries (collectively the "Group") was HK$494,746,000, representing an increase over the previous year. The increase in loss was mainly due to different reasons for further losses to various extents recorded by the Group's three core businesses of property development; culture and media; and corporate IT application services.

I. PROPERTY DEVELOPMENT

"The Peninsula" Project

In 2011, governments at different levels across China stepped up further measures to curb the property market. During the year, trading record of new properties in Shenzhen hit a new low. According to the data for 2011 released by the Shenzhen Land Planning Department, the transaction volume of new properties in Shenzhen was approximately 2.7169 million sq.m., representing a decrease of 13.2% as compared to that in 2010, that could be the worst downside since 2001. Therefore, the sales of the remaining properties in Phase 2 of "The Peninsula" was affected to a certain extent.

CHAIRMAN'S STATEMENT

In order to increase the proportion of seafront properties which usually have higher price tags, modification of land planning is still in progress. To go with the overall development, the planning for educational facilities has to undergo some alterations, and related application has been submitted to relevant authorities for approval. At this stage, the Group are not able to predict when will the final approval be obtained. The above arrangements have again affected the progress of planning modification, the development of Phase 3 is expected to commence by the end of 2012.

In 2011, Shenzhen International Marina Club, being the ancillary facility of "The Peninsula", made significant progress. Based on the approval in respect of the planning proposal of Marina Club granted in 2010, all necessary technical verifications have been completed as scheduled. Application for the rights of sea area use has been formally made, and approval is expected to be granted in the first half of 2012. The Marina Club will further accentuate the high-end image of "The Peninsula" and may have positive effect on the sales of Phase 3.

Shenzhen-Hong Kong Modern Service Industry Cooperation Zone in Qianhai Area, currently the only city with independent budgetary status in China, has been rolled out. China Merchants Group's "RMB60 Billion for New Shekou"project is also under construction. The Group believe that "The Peninsula" in the region shall have even more promising prospect.

Guangzhou "Free Man Garden" Project

Seven residential blocks and a community centre of Guangzhou "Free Man Garden" (formerly known as the "Free City") project have been topped out. The basement construction for the remaining phase of residential blocks and the central park have been completed. The project is ready for sale which is expected to take place in the first half of 2012.

II. CULTURE AND MEDIA

As regards culture and media sector, the Company via a chain of subsidiaries namely "Dadi" has focused on the development of cinema construction business by having cinema network as the core business since 2006. As at the end of 2011, Dadi has already completed its infrastructure covering such business segments as cinema investment and operations, film distribution and on-line ticketing, and all such segments will soon move on to the track of rapid development.

Meanwhile, the management has reviewed and rationalized the mission, development direction and strategy as well as the 5-year business track record of Dadi before finalizing the strategic plans and development objectives for the next five years, thereby laying a solid foundation for the fast and healthy development over the mid to long term. However, the relatively high preliminary expenses attributable to various business segments of the industry chain gave rise to an increase in loss as a whole.

In 2012, Dadi will continue to enlarge the investment scale in cinema construction, and to maintain high growth in the number of cinemas and screens. Meanwhile, Dadi will also continue to optimize its cost structure and enhance operating efficiency, for placing itself on a growth trend of profitability.

As the Group's media business operated by Duowei is still at its infancy, the Group do not believe that it is likely to record impressive results in the near future even committing more resources and time to it. Therefore, the Group disposed of this business in late 2011.

III. CORPORATE IT APPLICATION SERVICES

The Group are engaged in the provision of corporate IT application services through Sino-i. The Group strive to assist the small and medium enterprises in China in developing e-commerce business and materializing effective information management with the aid of internet-based infrastructure services and e-commerce application services.

In 2011, Sino-i recorded growth in overall income. On the aspect of product development, Sino-i launched an operating system for B2C online trading, thereby consolidating its leading position in the e-commerce application services market. On the aspect of sales and marketing channel, a large scale expansion of branch network was taken, thereby consolidating its existing competitive strength. However, additional costs attributable to new products' launching, technological infrastructure innovation and expansion of branch network together with the investment loss on disposal of certain subsidiaries have deepened the loss over 2010.

CHAIRMAN'S STATEMENT

To optimize operation structure from fundamental, Sino-i has made substantial adjustment since the fourth quarter by disposing of its loss-making non-core operations, financial information services and distance learning education services, and only its corporate IT application services are retained. Therefore, Sino-i can focus its resources on its principal activities.

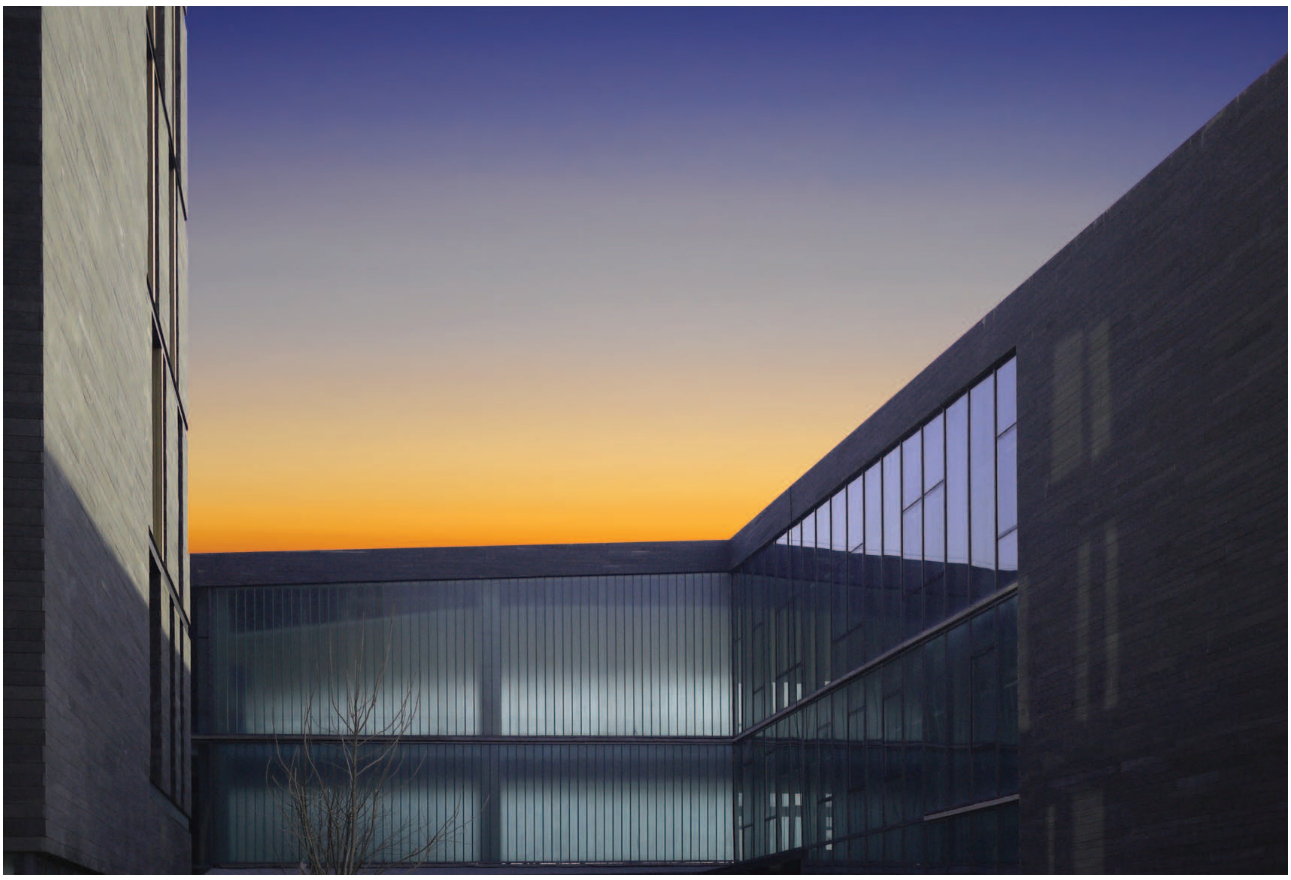
In addition, on core businesses, Sino-i has also made substantial streamlining and integration by concentrating its diversified resources and efforts on its subsidiaries, namely 中企動力科技股份有限公司 (CE Dongli Technology Company Limited) ("CE Dongli"), 新網華通信息技術有限公司 (Xinnet Information Technology Co., Ltd.) and 北京中企動力廣告有限公司 (Beijing CE Dongli Advertising Company Limited), and disposing of other non-core businesses. The Group expect such optimization measures to take effect in 2012.

Currently, in light of the increasingly mature internet-based infrastructure in China, the e-commerce market has come to a turning point. The dedicated area of Sino-i demonstrates a promising prospect and immense potential. In 2012, Sino-i will continue to deepen reform and improve overall operating efficiency in the hope of materializing fundamental improvement to its operating results.

Finally, I would like to express my gratitude to the board of directors (the "Board"), executive committee and all staff for their dedication and contribution, and also to the shareholders for their concern and support to the Group.

Yu Pun Hoi
Chairman

Hong Kong, 30 March 2012



MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

During the year under review, the Group were principally engaged in property development, and committed to culture and media services through Dadi. It was also engaged in corporate IT application services, financial information services and distance learning education services through Sino-i. During the year, turnover was approximately HK$2,365.8 million (comprising HK$2,333.5 million from continuing operations and HK$32.3 million from discontinued operations) (2010: HK$1,963.5 million) and net loss was approximately HK$586.0 million (2010: HK$428.6 million). The net assets attributable to the owners of the Company were approximately HK$3,447.8 million (2010: HK$3,740.2 million), representing a value of approximately HK$0.050 per share.

Property Development

In 2011, the Group's property development division followed the stated development direction. Affected by the government's step-up measures in curbing the property market, sales of Phase 2 of "The Peninsula" in Shenzhen did not measure up to our expectations with some residual units on the market. In 2011, approximately 10,092 sq.m. were sold with sales proceeds amounting to approximately RMB610.0 million. As of 31 December 2011, 96.2% of the gross floor area were sold and approximately 53 units remained unsold. During the year, turnover of this division was approximately HK$736.2 million (2010: HK$715.6 million), while net profit before income tax was approximately HK$108.4 million (2010: HK$32.1 million).

The aggregate gross floor area of the first lot development in 2010 under Phase I of "Free Man Garden" in Guangzhou is approximately 330,000 sq.m. of which a saleable area of approximately 210,000 sq.m. is for residential. Besides, a central park of approximately 100,000 sq.m. and ancillary facilities including a commercial clubhouse and a kindergarten of approximately 60,000 sq.m. will be provided upon completion of the project. For the year ended 31 December 2011, seven residential blocks and a community centre have been topped-out. The basement construction for the remaining residential blocks and the central park have been completed. The project is ready for sale which is expected to take place in the first half of 2012.

Culture and Media

During the year under review, the culture and media division of the Group developed rapidly. Significant progress was achieved in such areas as cinema investment and operations, film distribution, online ticketing and R&D in digital cinematography.

During the year, development of the film industry in China maintained good momentum. Despite some decline in the growth of box office receipts, mid-to-long term prospect of this market is even brighter. According to the data released by The State Administration of Radio, Film, and Television on 9 January 2012, gross box office receipts nationwide amounted to RMB13.115 billion, representing a 28.93% growth over the corresponding period last year. There were 923 additional cinemas with 3,876 screens commencing operation during the year,

MANAGEMENT DISCUSSION AND ANALYSIS

making the total up to 3,023 cinemas with 10,592 screens across China for the year ended 31 December 2011. As at 6 December 2011, the number of 2K digital screens was 7,400 of which 4,700 were 3D digital screens. Cinema digitalization is all the rage.

As regards cinema investment and construction, for the year ended 31 December 2011, Dadi had 119 cinemas with 519 screens in operation, making up 3.94% and 4.90% of the national market in terms of facilities quantity and box office receipts. Significant growth in quantity of cinemas and multiplexes, box office receipts and admissions as compared to 2010 was recorded.

Film distribution segment has also made good progress in development. A professional and experienced film distribution and promotion team has been developed which has distributed six films during the year and is capable of distributing mega films across the nation on its own.

The on-line ticketing website "www.hipiao.com" has a membership base of approximately 2.1 million with a 142.08% growth in the aggregate recharge amount over the corresponding period in 2010.

For 2012, it is expected that more cinemas directly operated by Dadi will enter a stage of maturity and harvesting and that remarkable improvement will also be achieved in the operating results of the culture and media segment.

During the year, turnover for this division was approximately HK$779.6 million (2010: HK$488.8 million), representing a 59.49% growth over the corresponding period last year. Net loss before income tax was approximately HK$116.3 million (2010: HK$63.5 million).

Corporate IT Application Services

The Sino-i group's corporate IT application services division maintained its business development, including the launching of an operating system for B2C online trading, which earned acclaims from customers; and establishment of 14 branch offices which led this division to having a network covering over 80 cities in China. Therefore, sales income increased to some extent. However, for encouraging the sales personnel to sell new IT products to new customers in China, the sales commissions were increased substantially. Besides, in order to upkeep the competitiveness in labour market and comply with the mandatory minimum wages in China, wages of staff were adjusted accordingly. Additional workforce in R&D was required to ensure the competitiveness of our IT products. In view of the foregoing matters, an increase in operating costs was inevitable. Moreover, investment loss was recorded in disposal of certain loss-making entities and businesses. As a result, this division's overall loss substantially increased by comparing with its loss in 2010. To meet the profit target by way of cost control, this division has adjusted the sales commission structure applicable to new customers since the first quarter of 2012. In addition, responsibilities of R&D personnel will also be adjusted for further cost control. During the year, turnover and net loss before income tax of this division were approximately HK$792.0 million (2010: HK$711.6 million) and approximately HK$205.4 million (2010: HK$97.1 million) respectively.

Discontinued Operation of Financial Information Services

In 2011, income from Sino-i group's financial information services division decreased over the previous year and loss further widened. The Group disposed of this division in late 2011. During the year, turnover and net loss before income tax of this division were approximately HK$19.6 million (2010: HK$20.2 million) and approximately HK$42.4 million (2010: HK$36.3 million) respectively.

Discontinued Operation of Distance Learning Education Services

The Sino-i group's profit-making distance learning education services division slipped into loss in 2011 mainly because of the rising cost resulting from the adjustment to product structure. The Group also disposed of this division in late 2011. During the year, turnover and net loss before income tax of this

MANAGEMENT DISCUSSION AND ANALYSIS

division were approximately HK$12.8 million (2010: HK$10.2 million) and approximately HK$4.7 million (2010: net profit before income tax of HK$1.2 million) respectively.

II. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL

The Group continued to adopt prudent funding and treasury policies. As at 31 December 2011, the net assets attributable to the owners of the Company amounted to approximately HK$3,447.8 million (2010: HK$3,740.2 million), including cash and bank balances of approximately HK$411.2 million (2010: HK$434.9 million), which were mainly denominated in US dollars, Renminbi and Hong Kong dollars. As at 31 December 2011, the Group's aggregate borrowings amounted to approximately HK$4,917.6 million (2010: HK$3,909.9 million) of which approximately HK$3,154.9 million (2010: HK$3,270.7 million) were bearing interest at fixed rates and approximately HK$1,762.7 million (2010: HK$639.2 million) at floating rates. The gearing ratio of the Group, which is calculated as the net debt divided by the adjusted capital plus net debt, increased from 43.46% as at 31 December 2010 to 51.83% as at 31 December 2011.

As at 31 December 2011, the Group's capital commitment was approximately HK$303.7 million of which approximately HK$116.0 million would be used as the funding for the construction projects for the headquarters of corporate IT application services and approximately HK$187.7 million would be used for the expansion of its cinema operations.

The Group's contingent liabilities as at 31 December 2011 were approximately HK$79.9 million in connection with the guarantees given to secure credit facilities. As at 31 December 2011, certain interests in leasehold land, construction in progress, properties held for development and completed properties held for sale, bank deposits, intangible assets and property, plant & equipment with a total carrying value of approximately HK$2,554.0 million were pledged to secure credit facilities granted to the Group. In addition, trading securities having carrying value of approximately HK$0.2 million and certain shares of several subsidiaries were pledged; bank accounts were charged and shareholders' loan of three subsidiaries was assigned for securing the Group's credit facilities.

The Group are currently negotiating with a financier to extend and re-schedule the repayment terms of an overdue sum of HK$776.75 million together with

MANAGEMENT DISCUSSION AND ANALYSIS

another sum of HK$621.4 million which has been overdue on 31 March 2012. In the opinion of the Board of the Company, in view of the sound relationship with the financier and the positive progress of the current ongoing discussions with the financier, the aforesaid extension and re-schedule of repayment terms will be successfully achieved eventually. Furthermore, the Group are now in the course of discussion with some bankers for providing the Group a new bank facility which is sufficient enough to pay off the indebtedness.

III. EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The majority of the Group's borrowings and transactions were denominated in US dollars, Renminbi and Hong Kong dollars. Both the operating expenses and revenue were primarily denominated in Renminbi. The ever-growing economy of China is expected to warrant a continued appreciation of Renminbi. The Group's reported assets, liabilities and profits may be affected by the Renminbi exchange rates. Although Renminbi exchange risk exposure did not have significant impact on the Group during the year under review, the Group will keep on reviewing and monitoring the fluctuation in exchange rates between Renminbi and Hong Kong dollars. For the funding in US dollars, although Hong Kong dollars are adopted as the reporting currency of the Group, the management of the Group considers the exposure to exchange risk is insignificant owing to the linked exchange rate system that pegs Hong Kong dollars to US dollars. The Group may make appropriate foreign exchange hedging arrangements when necessary.

IV. EMPLOYEE

The Company employs and remunerates its employees based on their qualifications, experience and performance. In addition to basic salary payments, other benefits include housing, contributions to mandatory provident fund, group medical insurance, group personal accident insurance and examination leave etc.. Employees are eligible to be granted share options under the Company's share option scheme at the discretion of the Board of the Company. In general, salary review is conducted annually. As at 31 December 2011, the Group had approximately 12,018 employees (2010: 11,194 employees). The salaries of and allowances for employees for the year ended 31 December 2011 were approximately HK$882.5 million (2010: HK$682.0 million).

V. PROSPECT

In the future, the Group will continue to develop its three principal activities — property development, culture and media, and corporate IT application services.

On the macro-economy front, property development sector will continue to face challenging conditions while culture and media as well as corporate IT application services are categorized as the cultural and creative industries whose development is highly encouraged under state policies. The structure of the above three core businesses will enable the Group to minimize the inherent risks in operation under the ever-changing macro-economic environment, effectively fending off the negative impact arising from the occasional adjustment on a particular sector.

For the property development segment, the Group expect the existing austerity measures are not likely to be relaxed. Considering the long term effect of the necessity to maintain economic growth in China, ever accelerating urbanization and appreciation of Renminbi, the likelihood of further tightening is also remote. Therefore, the Group remain cautiously optimistic about the prospect of the property market in China. In 2012, the Group will forge ahead with the development of Phase 3 of "The Peninsula" and the initial sales of "Free Man Garden".

For cinema construction, the Group will maintain a strategy of rapid expansion, and have planned during the year to add approximately 750 screens to its existing cinema network. The cinema operation team will work on perfecting a system for operating and developing the cinema network of Dadi, realizing economy of scale by meeting operation targets and implementing regional construction. At the same time, on the aspect of film production and distribution, the Group plan to secure the rights for distributing quality movies in China by way of self-initiated investment, joint venture and pre-order. In 2012, the Group will continue to address market needs by distributing a wide variety of local and foreign movies so as to consolidate Dadi's solid position in the domestic market for film distribution.

On the aspect of corporate IT application services, the Group will continue to deepen its reform and improve operating efficiency, striving for an entire improvement in overall business performance of Sino-i in 2012.

REPORT OF THE DIRECTORS

The Board of the Company herein presents their report and the audited financial statements of the Group for the year ended 31 December 2011.

Principal Activities

The principal activity of the Company is investment holding. The Group are principally engaged in property development, while culture and media services through Dadi and corporate IT application services, financial information services and distance learning education services through Sino-i.

Segment Information

Particulars of the Group's turnover and segment information for the year are set out in notes 5 and 6 to the financial statements respectively.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on pages 33 and 34.

The directors do not recommend the declaration of the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

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 140.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Company and the Group during the year are set out in note 14 to the financial statements.

Subsidiaries and Associates

Particulars of the Company's principal subsidiaries and associates as at 31 December 2011 are set out in notes 18 and 19 to the financial statements respectively.

Bank and other Borrowings and Financing

Details of the bank and other borrowings and financing of the Group as at 31 December 2011 are set out in notes 29 and 31 to the financial statements respectively.

Share Capital

Details of the share capital of the Company during the year are set out in note 33 to the financial statements.

Reserves

Details of the movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statements.

REPORT OF THE DIRECTORS

Distributable Reserves

As at 31 December 2011, the amount of the Company's reserves available for distribution was approximately HK$1,282,000,000. In addition, the Company's share premium account with a balance of HK$965,911,000 may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

The Group's sales to the five largest customers for the year ended 31 December 2011 accounted for less than 30% of the Group's total turnover.

For the year ended 31 December 2011, the percentage of purchase attributable to the Group's five largest suppliers was 39.56% with the largest supplier accounted for 29.64%.

Neither the directors, any of their associates nor any shareholders (which to the knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 December 2011.

Directors' Emoluments

Details of directors' emoluments are set out in note 38 to the financial statements.

Directors' Interest in Competing Business

As at 31 December 2011, none of the directors of the Company has an interest in a business which competes or may compete with the business of the Group.

Pension Costs

Details of retirement benefit plans in respect of the year are set out in note 37 to the financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Mr. YU Pun Hoi *(Chairman)*
Ms. CHEN Dan
Ms. LIU Rong
Mr. WANG Gang
Mr. LAM Bing Kwan#
Mr. HUANG Yaowen*
Prof. JIANG Ping*
Mr. LAU Yip Leung*
Mr. QIN Tian Xiang#　　(deceased on 30 March 2012)

#　Non-executive directors
*　Independent non-executive directors

REPORT OF THE DIRECTORS

Directors (Continued)

The Company has received annual confirmation from each of the existing independent non-executive directors confirming his independence to the Company pursuant to Rule 3.13 of the Listing Rules and the Company considers that such directors are independent of the Company.

In accordance with Bye-law 99 of the Company's Bye-Laws, Mr. Yu Pun Hoi, Ms. Chen Dan, Ms. Liu Rong and Prof. Jiang Ping shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Biographical Details of Directors and Senior Management

Biographical Details of Directors

Executive Directors

Mr. YU Pun Hoi, aged 53, joined the Board of the Company in September 2000. Mr. Yu is the chairman of the Board, the chairman of executive committee and nomination committee of, and a controlling shareholder of the Company.

Mr. Yu is also the chairman of the Board of and of the executive committee and nomination committee of Sino-i and, a director of a number of major subsidiaries of the Company and Sino-i.

Ms. CHEN Dan, aged 43, graduated from Beijing Finance & Trade College and conferred a Bachelor degree in Trade & Economics, and obtained a degree of EMBA in China Europe International Business School, and is also a qualified lawyer in the PRC.

Ms. Chen joined the Group in October 2000. In February 2006, Ms. Chen has been appointed as an executive director and executive committee member of the Company. In September 2011, Ms. Chen has been appointed as a general manager of the Company. In March 2012, Ms. Chan has been appointed as a nomination committee member of the Company.

Ms. Chen is also an executive director, executive committee member, nomination committee member and general manager of Sino-i. Ms. Chen is also a director of a number of major subsidiaries of the Company and Sino-i.

Ms. LIU Rong, aged 40, graduated from the Law School of Anhui University and obtained a Bachelor degree in Laws, and got a Master of Laws conferred by the Law Institute of Chinese Academy of Social Science, and is also a qualified lawyer in the PRC. Prior to joining the Group, Ms. Liu worked in Chinese government departments and law firms.

Ms. Liu has been appointed as an executive director and executive committee member of the Company in March 2009. Ms. Liu is also a general manager of Dadi and is responsible for the businesses in culture and media of the Group.

Ms. Liu is also an executive director of Sino-i, and a director of a number of major subsidiaries of the Company and Sino-i.

REPORT OF THE DIRECTORS

Biographical Details of Directors and Senior Management (Continued)

Biographical Details of Directors (Continued)

Executive Directors (Continued)

Mr. WANG Gang, aged 56, graduated from Capital University of Economics and Business in China and conferred a Bachelor degree in Business Economics and also obtained an MBA degree from National University of Singapore. Prior to joining the Group, Mr. Wang worked in the headquarters of China Agricultural Bank for many years, and was appointed as a general manager working in the bank's branch office in Singapore.

Mr. Wang joined the Group in December 2007 and then was appointed as a director and general manager of 深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited) ("Nanhai Yitian"), a subsidiary of the Company, and is responsible for the related businesses in property development of the Group.

Mr. Wang has been appointed as an executive director of the Company in March 2009, and a director of a number of major subsidiaries of the Company.

Mr. Wang is also an executive director of Sino-i.

Non-Executive Director

Mr. LAM Bing Kwan, aged 62, graduated from the University of Oregon in the United States of America and conferred a Bachelor degree in Business Administration in 1974. Prior to joining the Group, Mr. Lam had been in senior management positions in the banking and financial industry for more than 10 years.

Mr. Lam joined the Board of the Company in September 2000, and was re-designated as a non-executive director in April 2002. Mr. Lam is also a non-executive director of Sino-i, and an independent non-executive director of Lai Sun Development Company Limited, Lai Fung Holdings Limited, eForce Holdings Limited and Lai Sun Garment (International) Limited.

REPORT OF THE DIRECTORS

Biographical Details of Directors and Senior Management (Continued)

Biographical Details of Directors (Continued)

Independent Non-executive Directors

Mr. HUANG Yaowen, aged 41, graduated from South West University of Politics and Laws in China and conferred a Bachelor degree in Laws in 1992, and obtained a degree of EMBA in China Europe International Business School. Mr. Huang is also a postgraduate in laws in Party School of the Central Committee of C.P.C. in the PRC, and a registered attorney at law in the PRC. Mr. Huang is the executive partner of Kai Wen Law Firm which is Chinese commercial law firms in the PRC.

In February 2006, Mr. Huang joined the Board of the Company and has been appointed as a chairman of audit committee and remuneration committee of the Company. In March 2012, Mr. Huang has been appointed as a member of nomination committee of the Company. Mr. Huang is also an independent non-executive director and chairman of audit committee and remuneration committee, and nomination committee member of Sino-i.

Prof. JIANG Ping, aged 81, graduated from Moscow University with a Bachelor degree in Laws in 1956. Prof. Jiang is the lifetime professor of China University of Political Science and Law, conducts lectures for doctoral degree class in civil and commercial laws, the honorary president of China Comparative Law Research Centre, chairman of Beijing Arbitration Commission, and honorary arbitrator in China International Economic and Trade Arbitration Commission.

In February 2006, Prof. Jiang joined the Board of the Company and has been appointed as a member of audit committee and remuneration committee of the Company. In March 2012, Prof. Jiang has been appointed as a member of nomination committee of the Company. Prof. Jiang is also an independent non-executive director and member of audit committee, remuneration committee and nomination committee of Sino-i.

Mr. LAU Yip Leung, aged 51, graduated from the City University of Hong Kong and awarded an honours degree of Bachelor of Arts in Accountancy in 1991 and also holds an MBA conferred by the University of Hull, UK. Mr. Lau is a fellow member of The Association of Chartered Certified Accountants, member of The Institute of Chartered Accountants in England and Wales, and practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau started his public practice business in 1998, and has been a partner of Messrs. Fung Lau & Company, Certified Public Accountants, since October 2000.

Mr. Lau joined the Board of the Company in May 2006 and is also a member of audit committee and remuneration committee of the Company. In March 2012, Mr. Lau has been appointed as a member of nomination committee of the Company.

REPORT OF THE DIRECTORS

Biographical Details of Directors and Senior Management (Continued)

Biographical Details of Senior Management

Mr. XUE Bo Ying (aged 43)
General Manager
Nan Hai Development Limited

General Manager
深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited)

Mr. Xue graduated from Huazhong University and conferred a Master degree in architecture from Tsinghua University, and is a certified first-level architect, and a certified town planner in China. Prior to joining the Group, Mr. Xue worked in senior positions as deputy general manager, senior architect and architectural design director in a number of corporations, and also worked in Guangzhou City Construction Commission.

Mr. Xue joined the Group in January 2006 and was appointed as an architectural design director, and was responsible for overall architectural design of various property projects of the Group in China. In February 2009, Mr. Xue has been appointed as an executive deputy general manager of Nan Hai Development Limited ("Nan Hai Development"), a subsidiary of the Company, and was promoted to a general manager in July 2010 and is also a general manager of Nanhai Yitian.

Mr. Xue is also a member of executive committee of the Company.

Mr. KO Haowen (aged 48)
General Manager
廣州東鏡新城房地產有限公司 (Guangzhou Dongjing Xincheng Properties Co., Ltd.)

General Manager
廣州自由人男子籃球俱樂部股份有限公司 (Guangzhou Freeman Basketball Club Company Limited)

Mr. Ko graduated from International Trade Department of Chinese Culture University, Taiwan. Mr. Ko has worked in the position of sales director of advertising companies and well-known corporations, with extensive experience in sales planning, sales management and business management etc.. In 1994, he started his career in China.

In February 2009, Mr. Ko joined the Group and was appointed as a general manager of 廣州自由人男子籃球俱樂部股份有限公司 (Guangzhou Freeman Basketball Club Company Limited), a subsidiary of the Company, and was appointed as a general manager of 廣州東鏡新城房地產有限公司 (Guangzhou Dongjing Xincheng Properties Co., Ltd.) in July 2011.

REPORT OF THE DIRECTORS

Biographical Details of Directors and Senior Management (Continued)

Biographical Details of Senior Management (Continued)

Mr. CHENG Chih Hung (aged 56)
Executive Director
Nan Hai Development Limited

Prior to joining the Group, Mr. Cheng was in senior position in United Task Marketing Ltd. and United Communication Inc., and has experience in management of international information and media business for many years, and extensive experience in management of marketing and media.

Mr. Cheng was a general manager of Beijing Shihua International Financial Information Company Limited ("Shihua") between 2004 and 2007 and was appointed as a deputy chairman in 2007, and subsequently has been appointed as an executive director of Nan Hai Development, and is responsible for marketing and sales.

Mr. LIU Kai Jun (aged 37)
Deputy General Manager
廣東大地影院建設有限公司 (Guangdong Dadi Cinema Construction Limited)

Mr. Liu graduated from Zhejiang Gongshang University, major in Financial Accounting, and is a qualified accountant in China. Mr. Liu worked in finance department of OEG Group, a subsidiary of Siemens, during the period from 1995 to 2000.

Mr. Liu joined CE Dongli in August 2001, and was responsible for operation management. In August 2005, Mr. Liu involved in the cinema investment, and was responsible for cinema development and facilities construction.

Mr. CHEN Ming Fei (aged 35)
General Manager
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

Mr. Chen has more than 10 years' sales and possesses with acute insight in IT business, and has extensive and professional experiences in product creation, business strategy planning and business management. Prior to joining Sino-i group, Mr. Chen worked in Vorwerk of Co. KG, a German company.

In 2000, Mr. Chen joined CE Dongli, and was appointed as a national commercial director, sales deputy general manager, executive deputy general manager and business general manager. In January 2012, Mr. Chen was promoted to a general manager, and is responsible for operation management of CE Dongli.

Mr. Chen is also a member of executive committee of the Company and Sino-i.

REPORT OF THE DIRECTORS

Biographical Details of Directors and Senior Management (Continued)

Biographical Details of Senior Management (Continued)

Mr. ZHANG Bin (aged 46)
General Manager — Technology Research and Development
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

Mr. Zhang graduated from the Computer Faculty of The University of Defence Technology and his research was in computer architecture. Mr. Zhang has extensive experience in software development and management.

Mr. Zhang joined Sino-i group in 1999, and was appointed as a chief technology officer, deputy general manager of technology development, and deputy general manager of CE Dongli. In April 2011, Mr. Zhang has been appointed as a general manager of technology research and development in CE Dongli.

Mr. Zhang is also a member of executive committee of Sino-i.

Ms. SHI Wenqing (aged 41)
Deputy General Manager — Sales
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

Ms. Shi holds a Bachelor degree in Engineering from Beijing University of Agriculture. Prior to joining Sino-i group, Ms. Shi has worked as a senior sales director in various large size multinational corporations with extensive experience in sales management.

Ms. Shi joined CE Dongli in June 2009 and was appointed as a national business director and sales deputy general manager, and is responsible for sales and marketing businesses.

Ms. Shi is also a member of executive committee of Sino-i.

Ms. TAN Jie (aged 46)
Vice Executive General Manager
中企動力科技股份有限公司 (CE Dongli Technology Company Limited)

Ms. Tan obtained a degree of Bachelor of Laws in Peking University, and is a qualified lawyer in China. Prior to joining Sino-i group, Ms. Tan provided legal services for a number of international well-known companies.

Ms. Tan joined Sino-i group in 2002, and was appointed as a director of Company Secretarial Department (China) of Sino-i group, director of Administration Department, and senior director of Company Secretarial Department of CE Dongli. Ms. Tan was promoted to a vice executive general manager of CE Dongli in March 2011, who is responsible for human resources, administration, auditing and legal affairs.

Ms. Tan is also a member of executive committee of Sino-i.

REPORT OF THE DIRECTORS

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2011, the interests and short positions of the directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

The Company

Long position in shares in issue

	Number of shares of HK$0.01 each				
Name of Director	**Personal interest**	**Corporate interest**	**Family interest**	**Total interest**	**Approximate percentage holding**
Yu Pun Hoi ("Mr. Yu")	—	34,945,726,203 *(Note 1)*	69,326,400 *(Note 2)*	35,015,052,603	51.01%
Chen Dan	32,000,000	—	—	32,000,000	0.05%
Wang Gang	8,500,000	—	—	8,500,000	0.01%
Qin Tian Xiang	7,000,000	—	—	7,000,000	0.01%

Notes:

1. Out of these 34,945,726,203 shares, 31,203,232,705 shares were collectively held by Mr. Yu through Rosewood Assets Ltd., Pippen Limited and First Best Assets Limited, companies wholly owned by him; and 3,742,493,498 shares were held by Macro Resources Ltd., a company indirectly held as to 60% by Mr. Yu.

2. These 69,326,400 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

REPORT OF THE DIRECTORS

Directors' Interests and Short Positions in Shares and Underlying Shares (Continued)

Associated Corporations

As disclosed above, Mr. Yu, together with his family and corporate interests, are entitled to control the exercise of more than one-third of the voting power at general meetings of the Company. As such, Mr. Yu is taken to be interested in the shares that the Company or its controlled corporations hold in the associated corporations of the Company within the meaning of Part XV of the SFO, including interests held by the Company in the shares of Sino-i. Sino-i is a company the shares of which are listed on the Stock Exchange and is also an associated corporation of the Company within the meaning of Part XV of the SFO. As at 31 December 2011, the interests of the directors of the Company in shares and underlying shares of Sino-i were as follows:

Sino-i

Long position in shares in issue

	Number of shares of HK$0.01 each				
Name of Director	**Personal interest**	**Corporate interest**	**Family interest**	**Total interest**	**Approximate percentage holding**
Yu Pun Hoi	—	12,515,795,316 *(Note 1)*	44,000,000 *(Note 2)*	12,559,795,316	63.07%

Notes:

1. These 12,515,795,316 shares were collectively held by Goalrise Investments Limited, View Power Investments Limited and Wise Advance Investments Limited, all of which are wholly-owned subsidiaries of the Company. Mr. Yu was taken to be interested in these shares by virtue of his controlling interests in shares of the Company.

2. These 44,000,000 shares were held by Redmap Resources Limited, a company wholly owned by Ms. Kung Ai Ming, the spouse of Mr. Yu.

Save as disclosed above, as at 31 December 2011, none of the directors nor chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

REPORT OF THE DIRECTORS

Share Option Scheme

On 29 August 2002, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board of the Company.

The share options granted on 18 January 2007 at an exercise price of HK$0.0714 per share expired at the close of the business on 18 January 2009.

On 20 April 2009, another share options to subscribe for a total of 185,200,000 shares, representing approximately 0.62% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors, employees of the Group and those who have contributed to the Group at an exercise price of HK$0.0702 per share. The closing price of share of the Company immediately preceding the date of grant was HK$0.070 per share. The share options expired at the close of the business on 31 December 2011.

Movements on the share options during the year are as follows:

				Number of share options				
Grantee	**Date of grant**	**Exercisable period**	**Exercise price per share HK$**	**Outstanding as at 1 January 2011**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2011**
Directors								
Chen Dan	20-04-2009	01-01-2010 to 31-12-2011	0.0702	3,500,000	—	—	(3,500,000)	0
		01-01-2011 to 31-12-2011	0.0702	3,500,000	—	—	(3,500,000)	0
Liu Rong	20-04-2009	01-01-2010 to 31-12-2011	0.0702	3,500,000	—	—	(3,500,000)	0
		01-01-2011 to 31-12-2011	0.0702	3,500,000	—	—	(3,500,000)	0
Lam Bing Kwan	20-04-2009	01-01-2010 to 31-12-2011	0.0702	1,500,000	—	—	(1,500,000)	0
		01-01-2011 to 31-12-2011	0.0702	1,500,000	—	—	(1,500,000)	0
Employees								
In aggregate	20-04-2009	01-01-2010 to 31-12-2011	0.0702	65,700,000	—	—	(65,700,000)	0
		01-01-2011 to 31-12-2011	0.0702	69,400,000	—	—	(69,400,000)	0
Other Participants								
In aggregate	20-04-2009	01-01-2010 to 31-12-2011	0.0702	5,950,000	—	—	(5,950,000)	0
		01-01-2011 to 31-12-2011	0.0702	5,950,000	—	—	(5,950,000)	0
Total				164,000,000	—	—	(164,000,000)	0

REPORT OF THE DIRECTORS

Share Option Scheme (Continued)

A summary of the Scheme is as follows:

(1) Purpose

The purpose of the Scheme is to provide incentives or rewards to participants for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which any member of the Group holds any equity interests (the "Invested Entity").

(2) Participants

The participants include:

a. any employee (whether full time or part time employee, including any executive director but not any non-executive director) of the Company, its subsidiaries and any Invested Entity;

b. any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any Invested Entity;

c. any supplier of goods or services to any member of the Group or any Invested Entity;

d. any customer of the Group or any Invested Entity;

e. any person or entity that provides research, development or technological support or other services to the Group or any Invested Entity;

f. any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

g. any ex-employee who has contributed or may contribute to the development and growth of the Group and any Invested Entity.

(3) Maximum number of shares

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Scheme or 30% of the issued share capital of the Company from time to time. No share options may be granted under the Scheme if this will result in such limit exceeded. As at the date of this report, the number of Shares available for issue in respect thereof is 2,182,355,418 shares representing approximately 3.18% of the issued share capital of the Company.

(4) Maximum entitlement of each participant

The total number of shares issued and which may fall to be issued upon exercise of the share options granted under the Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company in issue. Any grant of further share options above this limit shall be subject to certain requirements as stipulated in the rules of the Scheme.

REPORT OF THE DIRECTORS

Share Option Scheme (Continued)

(5) The period within which the shares must be taken up under a share option

The period within which the Shares must be taken up a share option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant share option.

(6) Minimum period for exercising a share option

The Board of the Company may at its discretion determine the minimum period for which a share option must be held before it can be exercised.

(7) Acceptance and payment on acceptance

The share option shall be deemed to have been accepted when the duplicate letter duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company. To the extent that the offer is not accepted within 28 days in the manner aforesaid, it will be deemed to have been irrevocable declined and lapsed automatically.

(8) Basis of determining the subscription price

The subscription price for shares under the Scheme shall be a price determined by the directors, but shall not be lower than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

(9) Remaining life of the Scheme

The Scheme will remain in force for a period of 10 years commencing on 29 August 2002 up to 28 August 2012.

Arrangements to Purchase Shares or Debentures

Except for the Scheme disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company.

Directors' Service Contracts

None of the directors who are proposed for re-election at the forthcoming annual general meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than the statutory compensation.

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

Directors' Interests in Contracts

No contract of significance in relation to the Group's business to which the Company or its subsidiaries was a party, and in which any directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

Substantial Shareholders' Interests and Short Positions

As at 31 December 2011, those persons (other than directors and chief executive of the Company) who had interests and short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of person holding an interest in shares which has been disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO	Nature of interest	Number of shares in issue subject to long position	Approximate percentage of issued share capital of the Company	*Notes*
Kung Ai Ming	Family and Corporate interest	35,015,052,603	51.01%	1
Rosewood Assets Ltd.	Beneficial interest	7,668,000,210	11.17%	3
Pippen Limited	Beneficial interest	14,830,245,497	21.60%	3
Righteous International Limited	Corporate interest	3,742,493,498	5.45%	3
Macro Resources Ltd.	Beneficial interest	3,742,493,498	5.45%	2&3
First Best Assets Limited	Beneficial interest	8,704,986,998	12.68%	3
CITIC Group Corporation	Corporate interest	8,635,691,472	12.58%	2
Lim Siew Choon	Corporate interest	8,819,673,777	12.85%	4
Empire Gate Industrial Limited	Beneficial interest	5,514,986,997	8.03%	4
Lee Tat Man	Beneficial interest Security interest	60,900,000 7,700,000,000	0.09% 11.22%	

Notes:

1. Ms. Kung Ai Ming is the spouse of Mr. Yu and was taken to be interested in those shares in which Mr. Yu and herself (together with their respective corporate interests) held an interest.

2. CITIC Group Corporation (formerly known as CITIC Group) was indirectly interested in 8,635,691,472 shares, of which interests are held by its wholly-owned subsidiary, Staverley Assets Limited, and its 40% owned company, Macro Resources Ltd.

3. Rosewood Assets Ltd., Pippen Limited, Righteous International Limited and First Best Assets Limited are companies wholly owned by Mr. Yu and Macro Resources Ltd. is held as to 60% by Righteous International Limited. Their interests in shares are disclosed as the corporate interests of Mr. Yu above. Interest held by Macro Resources Ltd. was included as the interest of Righteous International Limited.

4. Empire Gate Industrial Limited is wholly owned by Mr. Lim Siew Choon. Its interest in shares was included as interest held by Mr. Lim Siew Choon.

Save as disclosed above, as at 31 December 2011, no person (other than directors and chief executive of the Company) had notified to the Company any interests or short positions in shares or underlying shares of the Company which was required to be recorded in the register kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

Related Party Transactions

Details of related party transactions of the Company and the Group are set out in note 43 to the financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-Laws or the law in Bermuda.

Purchase, Sale or Redemption of Securities

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

Public Float

Based on the publicly available information and to the best knowledge of the directors, the Company has maintained during the year sufficient public float as required under the Listing Rules.

Corporate Governance

Particulars of the Company's corporate governance practices are set out in the "Corporate Governance Report" on pages 25 to 30.

Audit Committee

The Audit Committee comprises all the independent non-executive directors of the Company, namely Mr. Huang Yaowen, Prof. Jiang Ping and Mr. Lau Yip Leung. The Audit Committee has reviewed with the auditor of the Company and management the accounting principles and practices adopted by the Group, the audited accounts for the year ended 31 December 2011, and discussed the auditing, financial control, internal control and risk management systems.

Auditor

The financial statements for the year ended 31 December 2009 were audited by Grant Thornton ("GTHK"), now known as JBPB & Co. Due to a merger of the businesses of GTHK and BDO Limited ("BDO") to practise in the name of BDO, GTHK resigned and BDO was appointed as auditor of the Company effective from 19 November 2010. The financial statements for the years ended 31 December 2010 and 2011 were audited by BDO. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint BDO as auditor of the Company.

On behalf of the Board

Yu Pun Hoi
Chairman

Hong Kong, 30 March 2012

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain high corporate governance standard and unambiguous procedures to ensure the integrity, transparency and quality of disclosure in order to enhance its shareholders' value.

Code on Corporate Governance Practices

In the opinion of the Board of the Company, the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2011, except for the deviations from Code Provisions A.2.1 and A.4.1 which, in the Company's opinion, are unsuitable or inappropriate for adoption. Explanations for such non-compliance are provided below.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made to all the directors and the directors have confirmed that they have complied with the Model Code as set out in Appendix 10 to the Listing Rules throughout the year ended 31 December 2011.

The Company has also established written guidelines on no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

Delegation by the Board

The overall management of the Company's businesses is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and monitoring its affairs. All directors should take decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned senior management of the Company.

The Board has the full support of its board committees and the senior management of the Company to discharge its responsibilities.

CORPORATE GOVERNANCE REPORT

Board of Directors

The current Board is made up of eight directors including four executive directors, one non-executive director and three independent non-executive directors (the "INEDs"). The directors are, collectively and individually, aware of their responsibilities to the shareholders. The directors' biographical information is set out on pages 12 to 17 under the heading "Biographical Details of Directors and Senior Management". The Board consists of the following:

Executive Directors

Mr. YU Pun Hoi *(Chairman)*
Ms. CHEN Dan
Ms. LIU Rong
Mr. WANG Gang

Non-executive Directors

Mr. LAM Bing Kwan
Mr. QIN Tian Xiang (deceased on 30 March 2012)

Independent Non-executive Directors

Mr. HUANG Yaowen
Prof. JIANG Ping
Mr. LAU Yip Leung

The Board should assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. The Board should regularly review the contribution required from a director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.

To the best knowledge of the Company, the Board members do not have any financial, business and family or other material/ relevant relationship with each other. During the year, the Board held 5 meetings.

Chairman and Chief Executive Officer

Code Provision A.2.1 stipulated that the roles of chairman and chief executive officer (the "CEO") should be separated and should not be performed by the same individual.

The Company has not appointed a CEO. The role of the CEO is also performed by Mr. Yu Pun Hoi who is the chairman of the Company. The Board believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership, and allows for effective and efficient planning and implementation of business decisions and strategies.

Non-executive Directors

Code Provision A.4.1 stipulated that non-executive directors should be appointed for a specific term subject to re-election.

The non-executive directors of the Company are not appointed for a specific term. However, all non-executive directors are subject to the retirement and rotation requirements in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

CORPORATE GOVERNANCE REPORT

Board of Directors (Continued)

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three INEDs of whom Mr. Lau Yip Leung is a certified public accountant in Hong Kong. Besides, Mr. Huang Yaowen is a practicing lawyer in the PRC.

The Company has received, from each of the INEDs, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

Board Committees

The Board has established four board committees, namely Executive Committee, Audit Committee, Remuneration Committee and Nomination Committee, to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities.

Executive Committee

The Company formulated written terms of reference for the Executive Committee, which consists of executive directors and senior management of the Company as follows:

Mr. YU Pun Hoi *(Chairman)*	
Ms. CHEN Dan	
Ms. LIU Rong	
Mr. XUE Bo Ying*	
Mr. CHEN Ming Fei*	(appointed on 15 November 2011)
Mr. WANG Gang	(terminated on 15 November 2011)
Mr. ZHANG Bin*	(terminated on 15 November 2011)

* Senior Management

The duties of the Executive Committee are empowered to plan, determine, approve, implement, handle, arrange, review and amend all policies, operations and internal control of the Group, ensuring that the delegation of its powers to the senior management is clearly defined, and that a transparent reporting procedural system is in place and effectively monitored. The Executive Committee held 3 meetings during the year.

Audit Committee

The Company formulated written terms of reference for the Audit Committee in accordance with the requirements of the Listing Rules. The Audit Committee consists of all the INEDs as follows:

Mr. HUANG Yaowen *(Chairman of the Audit Committee)*
Prof. JIANG Ping
Mr. LAU Yip Leung

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reports and internal control procedures as well as to maintain an appropriate relationship with the external auditor of the Company.

During the year, the Audit Committee held 2 meetings, in particular, to review with management the accounting principles and practices adopted by the Group, the audited accounts for the year ended 31 December 2010 and the unaudited interim results for the six months ended 30 June 2011, and discussed the auditing, financial control, internal control and risk management systems.

CORPORATE GOVERNANCE REPORT

Board Committees (Continued)

Remuneration Committee

The Company formulated written terms of reference for the Remuneration Committee in accordance with the requirements of the Listing Rules. The Remuneration Committee consists of all the INEDs as follows:

Mr. HUANG Yaowen *(Chairman of the Remuneration Committee)*
Prof. JIANG Ping
Mr. LAU Yip Leung

The Remuneration Committee is responsible for ensuring formal and transparent procedures for formulating remuneration policies and determining the remuneration packages of individual executive directors and senior management. It takes into consideration on salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group. The Remuneration Committee held 2 meetings during the year.

Nomination Committee

The Company established a Nomination Committee on 28 March 2012 with written terms of reference for the Nomination Committee in accordance with the requirements of the Listing Rules. The Nomination Committee consists of the directors of the Company as follows:

Mr. YU Pun Hoi *(Chairman of the Nomination Committee)*
Ms. CHEN Dan
Mr. HUANG Yaowen*
Prof. JIANG Ping*
Mr. LAU Yip Leung*

* INED

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become directors, assessing the independence of INEDs, and making recommendations to the Board on appointment of directors. The Nomination Committee has the authority given by the Board to seek external professional advice in the selection and recommendation for directorship, when required, fulfilling the requirements for professional knowledge and industry experience of any proposed candidates.

CORPORATE GOVERNANCE REPORT

Number of Meetings and Directors' Attendance

The following table shows the individual attendance of each director at the meetings of the full Board, the Executive Committee, the Audit Committee and the Remuneration Committee for the year ended 31 December 2011:

	Attendance/Number of Meetings			
Name of Director	**Board**	**Executive Committee**	**Audit Committee**	**Remuneration Committee**
Executive Directors				
Mr. YU Pun Hoi	5	3	N/A	N/A
Ms. CHEN Dan	5	3	N/A	N/A
Ms. LIU Rong	5	2	N/A	N/A
Mr. WANG Gang	4	2	N/A	N/A
Non-executive Directors				
Mr. LAM Bing Kwan	5	N/A	N/A	N/A
Mr. QIN Tian Xiang (deceased on 30 March 2012)	0	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. HUANG Yaowen	5	N/A	2	2
Prof. JIANG Ping	5	N/A	2	2
Mr. LAU Yip Leung	5	N/A	2	2
Number of meetings held during the year	5	3	2	2

Responsibilities in Respect of the Financial Statements and Auditor's Remuneration

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

The statement of the Auditor's external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 31 and 32.

The remuneration paid to the external auditor of the Group in respect of audit services and non-audit services for the year ended 31 December 2011 amounted to HK$6,023,000 and HK$267,000 respectively. An analysis of the remuneration paid to the external auditor of the Company is set out in note 8 to the financial statements.

CORPORATE GOVERNANCE REPORT

Internal Controls

The Company has maintained a tailored governance structure with defined lines of responsibility and appropriate delegation of responsibilities and authorities to the senior management.

During the year under review, the Board, Audit Committee and Executive Committee, have conducted regular reviews of the effectiveness of the internal control procedures of the Group.

On behalf of the Board

Watt Ka Po James
Company Secretary

Hong Kong, 30 March 2012

INDEPENDENT AUDITOR'S REPORT

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

To the shareholders of Nan Hai Corporation Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Nan Hai Corporation Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 33 to 138, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company 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, 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.

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

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 loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Jonathan Russell Leong
Practising Certificate Number P03246

Hong Kong, 30 March 2012

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Re-presented)
Continuing operations			
Revenue/Turnover	5(a)	**2,333,452**	1,932,979
Cost of sales and services provided	8	**(882,752)**	(795,627)
Gross profit		**1,450,700**	1,137,352
Other operating income	5(b)	**125,363**	42,883
Loss on disposal and dissolution of subsidiaries	36(b)	**(50,608)**	(58)
Selling and marketing expenses		**(613,363)**	(404,872)
Administrative expenses		**(536,904)**	(421,442)
Other operating expenses		**(340,266)**	(325,331)
Finance costs	7	**(293,619)**	(274,431)
Share of results of associates	19	**535**	2,097
Loss on deemed partial disposal of interest in an associate		**—**	(11,355)
Loss before income tax	8	**(258,162)**	(255,157)
Income tax expense	9	**(280,725)**	(138,310)
Loss for the year from continuing operations		**(538,887)**	(393,467)
Discontinued operations			
Loss for the year from discontinued operations	10	**(47,113)**	(35,096)
Loss for the year		**(586,000)**	(428,563)
Loss for the year attributable to:			
Owners of the Company	11	**(494,746)**	(381,573)
Non-controlling interests		**(91,254)**	(46,990)
		(586,000)	(428,563)

CONSOLIDATED INCOME STATEMENT (Continued)

for the year ended 31 December 2011

	Notes	2011 HK cent	2010 HK cent (Re-presented)
Loss per share for loss from continuing operations attributable to the owners of the Company during the year	12(b)		
— Basic		**(0.6870)**	(0.5222)
— Diluted		**N/A**	N/A
Loss per share for loss from discontinued operations attributable to the owners of the Company during the year	12(c)		
— Basic		**(0.0337)**	(0.0337)
— Diluted		**N/A**	N/A
Loss per share for loss attributable to the owners of the Company during the year	12(a)		
— Basic		**(0.7207)**	(0.5559)
— Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Loss for the year	**(586,000)**	(428,563)
Other comprehensive income, including reclassification adjustments		
Exchange gain on translation of financial statements of foreign operations	**209,683**	168,480
Exchange differences reclassified on disposal and dissolution of subsidiaries	**1,940**	—
Exchange differences reclassified on deemed partial disposal of interest and dissolution of associates	**—**	(342)
Other comprehensive income for the year, including reclassification adjustments	**211,623**	168,138
Total comprehensive income for the year	**(374,377)**	(260,425)
Total comprehensive income attributable to:		
Owners of the Company	**(285,882)**	(216,743)
Non-controlling interests	**(88,495)**	(43,682)
	(374,377)	(260,425)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**1,511,961**	848,545
Prepaid land lease payments under operating leases	16	**28,365**	14,713
Interest in associates	19	**114,385**	108,802
Available-for-sale financial assets		**479**	473
Deposits and other receivables	20	**153,571**	248,921
Intangible assets	21	**332,528**	470,123
Deferred tax assets	32	**112,268**	62,831
Pledged bank deposits	25	**25,670**	—
		2,279,227	1,754,408
Current assets			
Inventories	22	**8,039,098**	7,394,682
Financial assets at fair value through profit or loss	23	**1,684**	212,506
Trade receivables	24	**41,988**	137,847
Deposits, prepayments and other receivables	20	**1,072,174**	542,538
Amount due from an associate	28(d)	**530**	5,153
Pledged bank deposits	25	**246,822**	37,446
Cash and cash equivalents	25	**138,675**	397,405
		9,540,971	8,727,577
Non-current assets classified as held for sale	17	**—**	75,225
		9,540,971	8,802,802
Current liabilities			
Trade payables	26	**465,255**	345,475
Other payables and accruals	27	**863,997**	795,434
Deferred revenue		**44,304**	64,030
Provision for tax		**880,107**	569,697
Amount due to a director	28(a)	**124,309**	107,046
Amounts due to shareholders	28(b)	**5,006**	5,006
Amount due to a minority shareholder	28(c)	**—**	495
Amount due to an associate	28(d)	**5,502**	5,505
Amount due to a former subsidiary	28(f)	**59,035**	—
Bank and other borrowings	29	**1,125,110**	280,137
Finance lease liabilities	30	**120**	16
Finance from third parties	31	**2,543,762**	2,834,233
		6,116,507	5,007,074
Net current assets		**3,424,464**	3,795,728
Total assets less current liabilities		**5,703,691**	5,550,136

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

as at 31 December 2011

	Notes	**2011 HK$'000**	2010 HK$'000
Non-current liabilities			
Bank and other borrowings	29	**1,248,270**	795,478
Finance lease liabilities	30	**354**	34
Deferred tax liabilities	32	**267,547**	234,404
		1,516,171	1,029,916
Net assets		**4,187,520**	4,520,220
EQUITY			
Share capital	33	**686,455**	686,455
Reserves	35	**2,761,367**	3,053,736
Equity attributable to the Company's owners		**3,447,822**	3,740,191
Non-controlling interests		**739,698**	780,029
Total equity		**4,187,520**	4,520,220

Yu Pun Hoi
Director

Chen Dan
Director

STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**41**	152
Interests in subsidiaries	18	**—**	—
Amounts due from subsidiaries	28(e)	**105,916**	—
		105,957	152
Current assets			
Amounts due from subsidiaries	28(e)	**4,914,704**	5,728,653
Other receivables and deposits		**238**	1,668
Cash and cash equivalents	25	**9,314**	16,197
		4,924,256	5,746,518
Current liabilities			
Other payables and accruals		**13,451**	8,155
Amount due to a former subsidiary	28(f)	**111,628**	—
Amount due to a director	28(a)	**112,515**	71,387
Loan from subsidiaries	28(g)	**—**	1,634,551
Amounts due to subsidiaries	28(f)	**302,281**	982,504
Finance lease liabilities	30	**16**	16
Bank and other borrowings	29	**191,081**	—
		730,972	2,696,613
Net current assets		**4,193,284**	3,049,905
Total assets less current liabilities		**4,299,241**	3,050,057
Non-current liabilities			
Loan from subsidiaries	28(g)	**1,357,377**	—
Finance lease liabilities	30	**18**	34
		1,357,395	34
Net assets		**2,941,846**	3,050,023
EQUITY			
Share capital	33	**686,455**	686,455
Reserves	35	**2,255,391**	2,363,568
Total equity		**2,941,846**	3,050,023

Yu Pun Hoi
Director

Chen Dan
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 of continuing and discontinued operations			
Loss before income tax			
Continuing operations		**(258,162)**	(255,157)
Discontinued operations		**(47,113)**	(35,092)
Total		**(305,275)**	(290,249)
Adjustments for:			
Interest income		**(18,421)**	(11,688)
Interest expenses		**72,534**	26,377
Finance costs on finance from third parties		**221,085**	248,054
Dividend income		**(5)**	(2,590)
Depreciation of property, plant and equipment		**109,992**	92,637
Depreciation of investment property		**—**	55
Amortisation of intangible assets other than goodwill		**64,657**	68,037
Write-off of property, plant and equipment		**1,850**	1,686
Write-off of intangible assets		**—**	214
Loss on disposal and dissolution of subsidiaries	36(b)	**37,107**	58
Loss on deemed partial disposal of interest in an associate		**—**	11,355
Operating lease charges on prepaid land leases		**593**	1,161
Bad debts written-off and provision for impairment of receivables		**544**	891
Loss on disposal of property, plant and equipment		**6,150**	185
Gain on disposal of non-current assets classified as held for sale		**(31,426)**	—
Net fair value (gain)/loss on financial assets at fair value through profit or loss		**(10,690)**	52,263
Equity-settled share-based compensation expenses		**—**	1,754
Share of results of associates		**(535)**	(2,097)
Operating profit before working capital changes		**148,160**	198,103
(Increase)/Decrease in inventories		**(236,601)**	181,499
(Increase)/Decrease in trade receivables, deposits, prepayments and other receivables		**(381,594)**	85,922
Increase/(Decrease) in trade payables, other payables and accruals		**204,212**	(25,393)
Increase/(Decrease) in deferred revenue		**21,861**	(20,761)
Decrease in amount due to a former subsidiary		**(321)**	—
Increase/(Decrease) in amounts due to associates		**4,620**	(11,082)
Decrease in financial assets at fair value through profit or loss		**224,286**	152,371
Cash (used in)/generated from operations		**(15,377)**	560,659
Interest received		**11,015**	3,581
Interest paid		**(123,085)**	(60,680)
Finance costs on finance from third parties paid		**(182,850)**	(263,799)
Income taxes paid, net		**(13,309)**	(110,386)
Net cash (used in)/generated from operating activities		**(323,606)**	129,375

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

for the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from investing activities of continuing and discontinued operations			
Payments to acquire intangible assets		**(48,473)**	(21,228)
Payments to acquire property, plant and equipment		**(666,778)**	(430,207)
Payments to acquire prepaid land lease payments under operating leases		**(13,309)**	—
Net cash inflow arising from acquisition of subsidiaries	36(a)	**—**	1,096
Net cash outflow arising from acquisition of additional interest in subsidiaries		**(3,009)**	—
Increase in deposits and other receivables		**(74,361)**	(103,275)
(Increase)/Decrease in pledged bank deposits		**(229,028)**	83,115
Proceeds from disposal of property, plant and equipment		**351**	22,395
Net cash outflow arising from disposal and dissolution of subsidiaries	36(b)	**(13,173)**	—
Proceeds from disposal of non-current assets classified as held for sale		**108,395**	—
Dividend income		**5**	2,590
Capital contribution by non-controlling equity holder of a subsidiary		**10,832**	—
Net cash used in investing activities		**(928,548)**	(445,514)
Cash flows from financing activities of continuing and discontinued operations			
Repayments of bank and other borrowings		**(413,725)**	(898,691)
Repayments of finance lease liabilities		**(123)**	(15)
Repayments of finance from third parties		**(388,675)**	—
Proceeds from bank and other borrowings		**1,728,228**	1,026,420
Proceeds from issuance of share capital		**—**	35
Proceeds from security brokers and margin financiers		**408**	3,051
Advanced from/(Repayment to) a director		**56,766**	(40,138)
Net cash generated from financing activities		**982,879**	90,662
Net decrease in cash and cash equivalents		**(269,275)**	(225,477)
Cash and cash equivalents at 1 January		**397,405**	610,341
Effect of foreign exchange rate changes, on cash held		**10,545**	12,541
Cash and cash equivalents at 31 December		**138,675**	397,405
Analysis of the balances of cash and cash equivalents			
Cash at banks and in hand		**138,675**	397,405
		138,675	397,405

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011

	Equity attributable to the Company's owners									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	General reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	686,450	965,881	1,911,423	12,836	3,692	327,286	47,739	3,955,307	823,549	4,778,856
Issue of ordinary shares upon exercise of share options	5	30	13	—	(13)	—	—	35	—	35
Equity-settled share-based compensation expenses	—	—	—	—	1,754	—	—	1,754	—	1,754
Transactions with owners	5	30	13	—	1,741	—	—	1,789	—	1,789
Loss for the year	—	—	—	—	—	—	(381,573)	(381,573)	(46,990)	(428,563)
Other comprehensive income										
Exchange gain on translation of financial statements of foreign operations	—	—	—	—	—	165,172	—	165,172	3,308	168,480
Exchange differences reclassified on deemed partial disposal of interest and dissolution of associates	—	—	—	—	—	(342)	—	(342)	—	(342)
Total comprehensive income for the year	—	—	—	—	—	164,830	(381,573)	(216,743)	(43,682)	(260,425)
Released on expiry/forfeiture of share options	—	—	—	—	(506)	—	506	—	—	—
Transfer to general reserve	—	—	—	155,977	—	—	(155,977)	—	—	—
Released on acquisition of additional interest in subsidiaries	—	—	—	—	—	—	(162)	(162)	162	—
At 31 December 2010	686,455	965,911*	1,911,436*	168,813*	4,927*	492,116*	(489,467)*	3,740,191	780,029	4,520,220

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

for the year ended 31 December 2011

	Equity attributable to the Company's owners									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	General reserve HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011	686,455	965,911	1,911,436	168,813	4,927	492,116	(489,467)	3,740,191	780,029	4,520,220
Loss for the year	—	—	—	—	—	—	(494,746)	(494,746)	(91,254)	(586,000)
Other comprehensive income										
Exchange gain on translation of financial statements of foreign operations	—	—	—	—	—	206,924	—	206,924	2,759	209,683
Exchange differences reclassified on disposal and dissolution of subsidiaries	—	—	—	—	—	1,940	—	1,940	—	1,940
Total comprehensive income for the year	—	—	—	—	—	208,864	(494,746)	(285,882)	(88,495)	(374,377)
Reserve reclassified on disposal of subsidiaries	—	—	—	(4,694)	—	—	4,694	—	—	—
Released on disposal and dissolution of subsidiaries	—	—	—	—	—	—	—	—	33,854	33,854
Released on expiry/forfeiture of share options	—	—	—	—	(4,927)	—	4,927	—	—	—
Transfer to general reserve	—	—	—	7,565	—	—	(7,565)	—	—	—
Released on deemed acquisition and acquisition of additional interest in subsidiaries	—	—	—	—	—	—	(6,488)	(6,488)	3,479	(3,009)
Capital contribution by non-controlling equity holder of a subsidiary	—	—	—	—	—	—	—	—	10,832	10,832
Released on deemed partial disposal of subsidiaries	—	—	—	—	—	—	1	1	(1)	—
At 31 December 2011	686,455	965,911*	1,911,436*	171,684*	—	700,980*	(988,644)*	3,447,822	739,698	4,187,520

* These reserve accounts comprise the consolidated reserves of HK$2,761,367,000 (2010: HK$3,053,736,000) in the consolidated statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

1. General information

Nan Hai Corporation Limited (the "Company") is a limited liability company incorporated in Bermuda. The address of the Company's registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and, its principal place of business in Hong Kong is Units 15–18, 36/F., China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company and its subsidiaries (the "Group") are principally engaged in property development, culture and media services (including cinema operations and publishing newspaper and magazine), corporate IT application services, financial information services and distance learning education services. Details of the principal activities of the Company's subsidiaries are set out in note 18.

The financial statements for the year ended 31 December 2011 were approved for issue by the board of directors (the "Board") on 30 March 2012.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements on pages 33 to 138 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("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 Hong Kong Stock Exchange (the "Listing Rules").

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 new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared on the historical cost basis except for financial instruments classified as available-for-sale and at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below.

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 4.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

As explained in note 31, the Group's indebtedness to a third party financier at 31 December 2011 was HK$2,543,762,000. Of the aforesaid amount, a principal of HK$776,750,000 (US$100,000,000) and finance costs of HK$78,035,000 (included in other payables and accruals) had been due for repayment on 31 December 2011 and a further principal of HK$621,400,000 (US$80,000,000) shall be paid on 31 March 2012 (together the "Short Term Obligation"). The principal of HK$776,750,000 and finance costs remain outstanding as of the date of the financial statements, as such, under the terms as stated in the agreement with the financier, the financier has the right to accelerate the payment of the full amount of principal together with the finance costs. Owing to the long standing relationship between the Group and the financier, both parties are using their best endeavours to reach new terms of restructuring of the Group's indebtedness including the payment of the Short Term Obligation to be extended to 30 June 2012 or any other later date. Discussions are in a positive progress, and the directors of the Company hope to conclude the terms shortly and by no later than 30 June 2012.

Concurrently, the Group is also in discussions with banks to raise a finance of US$200 million and RMB2 billion. Approval progress of the aforesaid finance is in the finalization stage, and is expected to be completed before 30 June 2012. Upon the facility is made available, the Group may use it to settle the Short Term Obligation when it is due on 30 June 2012 or any other later mutually agreed date.

The directors believe that, in the unlikely event that neither the restructuring of the indebtedness with the third party financier nor the facility to be provided by the bank are successful, the Group will still be able to discharge its Short Term Obligation as this indebtedness is effectively secured by certain land under development held by the Group whose carrying value and fair value as at 31 December 2011 was approximately HK$7,701,415,000 and HK$15,823,152,000 respectively.

In light of the above background and information relating to the Short Term Obligation, the cash flow projections prepared by management of the Company for the next twelve months and the Group's net current asset position as at 31 December 2011 of HK$3,424,464,000, the directors are of the opinion that the Group will have sufficient cash resources to satisfy its future working capital and financing requirements. The directors have accordingly prepared these financial statements on a going concern basis.

2.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.2 Business combination and 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 that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

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.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

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. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies 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, 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.

2.4 Associates

Associates are those entities over which the Group is able to exert significant influence, generally accompanying a shareholding of between 20% and 50% of voting rights but which are neither subsidiaries nor investment in a joint venture.

In consolidated financial statements, investment in associates 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 associate 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 associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associates is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate'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 associate for the year, including any impairment loss on the investment in associates recognised for the year.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associates are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate 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 associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate 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 associate.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.4 Associates (Continued)

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 associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate 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 associate 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 associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

2.5 Foreign currency translation

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

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 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 Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or 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 on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

Other exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.6 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	5%
Leasehold improvements, furniture, fixtures and equipment	10% to 33-1/3% over lease terms whichever involves shorter period
Motor vehicles/yachts	10% to 33-1/3%

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

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. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Construction in progress represents assets under construction and is carried at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use.

2.7 Operating lease prepayments and land use right

Upfront payments made to acquire land held under an operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. The determination if an arrangement is or contains a lease and the lease is an operating lease is detailed in note 2.16. Amortisation is calculated on a straight-line basis over the term of the lease/right of use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.8 Investment property

Investment property is a building which is owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

When the Group acquires a property to earn rental income and/or for capital appreciation, and the property locates on leasehold land which is classified as an operating lease, the cost of acquiring the property is allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element when the property is recognised. The amount attributed to the land element is accounted for under the Group's accounting policy stated in note 2.7 whereas the amount allocated to the building element is accounted for as the cost of investment property.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided so as to write off the cost of investment property using the straight-line method over the lease term.

Transfer from investment property to property, plant and equipment shall be made when, and only when, there is a change in use, evidenced by commencement of owner-occupation, for a transfer from investment property to owner-occupied property. The transfers between investment property and owner-occupied property which are measured at cost less accumulated depreciation and impairment losses do not change the carrying amount of the property transferred and the cost of that property on transfer.

2.9 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate is set out in note 2.4.

Goodwill represents the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.22).

If the consideration transferred and the amount recognised for non-controlling interests is less than the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.10 Other intangible assets and research and development activities

Other intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Computer software	4 years
Customer relationships	2 years
Development cost	4 years

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the computer software to which it relates. All other expenditure is expensed as incurred.

Intangible assets, such as trademark and masthead, with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.22.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to the development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development along with an appropriate portion of relevant overheads. The costs of internally generated developments are recognised as intangible assets. They are subject to the same subsequent measurement method as externally acquired intangible assets.

All other development costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.11 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and associates are set out below.

Financial assets are classified into the following categories:

— financial assets at fair value through profit or loss

— loans and receivables

— available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-making. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.11 Financial assets (Continued)

(i) Financial assets at fair value through profit or loss (Continued)

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met:

— the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

— the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

— the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.19 to these financial statements.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost. Gains and losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.11 Financial assets (Continued)

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the 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.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group, national or local economic conditions that correlate with defaults on the assets in the group, and the failure to renegotiate the repayment terms of loan and receivables that would otherwise be past due or impaired.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.11 Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale are not recognised in the profit or loss. The subsequent increase in fair value is recognised directly in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in the profit or loss.

Financial assets other than financial assets at fair value through profit or loss and loans and receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of loans and receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of loans and receivables is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.12 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

(i) Properties under development

The cost of properties under development comprises the acquisition cost of land, materials, labour and other direct expenses and an appropriate proportion of overheads, and capitalised finance costs (see note 2.25).

(ii) Completed properties held for sale

Cost is determined by apportionment of the total land and development costs for that development project attributable to the unsold properties.

(iii) Confectionery

Cost comprises the cost of purchased goods calculated using FIFO method.

(iv) Movie projectors servers and spare parts

Cost comprises the manufacturing cost of product and the cost of purchased raw materials calculated using FIFO method.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks or other financial institutions, 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. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.14 Financial liabilities

The Group's financial liabilities include bank and other borrowings, finance from third parties, trade and other payables and finance lease liabilities. They are included in line items in the statement of financial position as bank and other borrowings, finance lease liabilities, finance from third parties, trade payables, other payables and accruals, amount due to a director, amounts due to shareholders, amount due to a minority shareholder, amount due to an associate, amount due to a former subsidiary, amounts due to subsidiaries and loan from subsidiaries.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All related finance costs are recognised in accordance with the Group's accounting policy for finance costs (see note 2.25).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Finance lease liabilities

Finance lease liabilities are measured at initial value less the capital element of lease repayments (see note 2.16).

Finance from third parties

The finance from a third party is recognised initially at fair value, net of transaction costs incurred. The finance from a third party is subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the finance contract on a systematic basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.15 Financial guarantees issued

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 revenue within other payables. Where consideration is received or receivable for the issuance of the 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 in profit or loss on initial recognition of any deferred revenue.

The amount of the guarantee initially recognised as deferred revenue is amortised in profit or loss over the term of the guarantee as income from financial guarantees 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 i.e. the amount initially recognised less accumulated amortisation, where appropriate.

2.16 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the 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.

(i) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets, are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligation under finance leases.

Subsequent accounting for assets held under finance lease agreements corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges.

Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.16 Leases (Continued)

(iii) Operating lease charges as the lessee

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. 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.

(iv) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. 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 over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

(v) Assets leased out under finance leases as the lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

2.17 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 of the amount of the obligation 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 a 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 or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition, unless the fair value cannot be measured reliably, and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.18 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services and the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue arising from the sale of properties held for sale is recognised when the risks and rewards of the properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under other payables and accruals.

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. When services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period of time unless there is evidence that some other method better represents the stage of completion.

Ticket income from the sale of tickets owned and controlled by the Group is recognised as income when the ticket is issued.

Sales of confectionery, merchandise and souvenir are recognised when goods are delivered.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend is recognised when the right to receive payment is established.

2.20 Deferred revenue

Deferred revenue consists primarily of deferred revenue from prepaid service fees received from subscribers and fair value of bonus liabilities granted to customers in accordance with the announced bonus point scheme and the Group's past experience on the level of redemption of points. Revenue from prepaid service fees and bonus liabilities are recognised when the relevant services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as deferred government grants in the statement of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants relating to income is presented in gross under "Other operating income" in the profit or loss.

2.22 Impairment of non-financial assets

Goodwill arising on an acquisition of subsidiary, other intangible assets, property, plant and equipment, prepaid land lease payments under operating leases, non-current portion of deposits and, interests in subsidiaries and associates are subject to impairment testing.

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.23 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of clarification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed of during the year are included in profit or loss up to the date of disposal.

2.24 Employee benefits

(i) *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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.24 Employee benefits (Continued)

(ii) Retirement benefits

The Group operates several staff retirement schemes for employees in Hong Kong and Mainland China, the People's Republic of China (the "PRC"), comprising defined contribution pension schemes and a Mandatory Provident Fund ("MPF") scheme. The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement schemes are generally funded by payments from employees and by the relevant subsidiaries of the Group.

The subsidiaries operating in Mainland China are required to participate in the defined contribution retirement scheme for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement schemes at a rate of 10% to 22% (depending on the locations of the subsidiaries) of basic salaries of their employees and there are no other further obligations to the Group.

Before 1 December 2000, the Group operated a defined contribution retirement scheme (the "ORSO Scheme") in Hong Kong for all qualified employees. The rate of contribution payable by the Group was 5% of the individual employees' monthly basic salaries. The Group's contributions under the ORSO Scheme were reduced by contributions forfeited by those employees who left the scheme prior to vesting fully in the contributions. There are no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The Mandatory Provident Fund Schemes Authority has approved the ORSO Scheme as a Mandatory Provident Fund Exempted Occupational Retirement Scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Schemes Ordinance"). With effect from 1 December 2000, the MPF Scheme was also set up under the MPF Schemes Ordinance for existing staff who opt for this scheme and eligible staff recruited on or after that date. When the underlying staff elects the MPF Scheme, pension scheme benefits attributed to the staff under the ORSO Scheme remain unchanged in the MPF Scheme. Under the MPF Scheme, eligible employees are required to contribute 5% of their monthly basic salaries whereas the Group's monthly contribution will be 5% of the relevant employee's basic salaries with a maximum monthly contribution of HK$1,000. There are no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect to defined contribution retirement schemes are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

(iii) Share-based employee compensation

All share-based payment arrangements granted after 7 November 2002 and had not vested on 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

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 (for example, profitability and sales growth targets).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.24 Employee benefits (Continued)

(iii) Share-based employee compensation (Continued)

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 share option reserve in equity. If 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 become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to capital reserve. 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 share option reserve will be transferred to retained profits.

2.25 Finance costs

Finance costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset 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 finance costs are expensed as incurred.

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

2.26 Accounting for income taxes

Income tax for the year comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal 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, including existing taxable temporary differences, 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.26 Accounting for income taxes (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, 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.

2.27 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 product and service lines.

The Group has identified the following reportable segments:

(a) Financial information services

(b) Corporate IT application services

(c) Distance learning education services

(d) Property development

(e) Culture and media services

Information about other business activities and operating segments that are not reportable are combined and disclosed in "all other segments". All other segments included trading of securities and property management.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.27 Segment reporting (Continued)

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that:

- Share of results of associates
- Loss on deemed partial disposal of interest in an associate
- Certain bank and other interest income
- Certain (loss)/gain on disposal and dissolution of subsidiaries
- Certain finance costs
- Income tax expense
- Corporate income and expenses which are not directly attributable to the business activities or any operating segment

are not included in arriving at the operating results of the operating segment.

Segment assets include all assets but interest in associates, amount due from an associate, available-for-sale financial assets and deferred tax assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities 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 tax and amounts due to a director/shareholders/a minority shareholder/a former subsidiary/an associate.

No asymmetrical allocations have been applied to reportable segments.

2.28 Discontinued operations

A discontinued operation is a clearly distinguishable component of the Group's business that has been disposed of or is classified as held for sale, which represents a separate major line of business or geographical area of operations of the Group.

Classification as a discontinued operation occurs upon disposal. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of profit and loss account, which comprises the post-tax profit or loss for the discontinued operation.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

2. Summary of significant accounting policies (Continued)

2.29 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.

(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).

(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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

3. Adoption of new/amended HKFRSs

3.1 Impact of new/amended HKFRSs which are effective during the year

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the 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
Amendments to HKAS 32	Classification of Rights Issues
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 (Amendments) — 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. All 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.

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 revised its accounting policy for the identification of its related parties and has reassessed counterparties of transactions in accordance with the revised definition. The reassessment did not result in new related parties being identified. Related parties identified in prior years remain unchanged under the new accounting policy and the Group concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous years. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

3. Adoption of new/amended HKFRSs (Continued)

3.2 Impact of new/amended HKFRSs which are issued but 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	Disclosures — Transfer of Financial Assets[1]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 32	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurements[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 — Transfer of Financial Assets

The amendments to HKFRS 7 improve the 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 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.

Amendments to HKAS 32 — Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities

The amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify:

— the meaning of 'currently has a legally enforceable right of set-off'; and

— that some gross settlement systems may be considered equivalent to net settlement.

The amendments will be applied retrospectively.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

3. Adoption of new/amended HKFRSs (Continued)

3.2 Impact of new/amended HKFRSs which are issued but not yet effective (Continued)

HKFRS 9 — Financial Instruments

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

HKFRS 10 — Consolidated Financial Statements

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

HKFRS 12 — Disclosures of Interests in Other Entities

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

3. Adoption of new/amended HKFRSs (Continued)

3.2 Impact of new/amended HKFRSs which are issued but not yet effective (Continued)

HKFRS 13 — Fair Value Measurement

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

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs but are not yet in a position to state whether they could have material financial impact on the Group's results and financial position.

4. Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions

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:

Depreciation and amortisation

The Group depreciates and amortises property, plant and equipment and intangible assets other than goodwill on a straight-line basis over the estimated useful life, and after taking into account their estimated residual values, at the rates of 5% to 33-1/3% per annum and 25% to 50% per annum, respectively, commencing from the date on which the assets are available for use. The estimated useful life reflects the directors' estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's property, plant and equipment and intangible assets other than goodwill.

During the year, the estimated useful life of certain equipments and leasehold improvements in culture and media services segment (cinema operations) was revised from five years to eight years to better reflect the useful life of the equipments and leasehold improvements. The effect of the change in accounting estimate in the current year was a decrease in depreciation charge of HK$52,992,000.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

4. Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

Provision for impairment of receivables

The policy for the provision for impairment of receivables of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision for impairment may be required.

Net realisable value of completed properties held for sale and properties under development

Management determines the net realisable value of completed properties held for sale and properties under development by using prevailing market data such as most recent sale transactions, anticipated costs to completion and valuation reports provided by independent qualified professional valuers.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.22. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of cash-generating units containing goodwill are disclosed in note 21.

Impairment of other assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating units and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of interest in associates

Management assesses impairment of interest in associates at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the management takes into consideration assumptions that are mainly based on market condition existing at the reporting dates and appropriate market and discount rates and what information it can obtain from the associates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

4. Critical accounting estimates and judgements (Continued)

4.2 Critical judgements in applying the Group's accounting policies

Current tax and deferred tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. 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.

Deferred tax assets relating to certain temporary differences and tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation in the periods in which such estimate is changed.

The Group is subject to land appreciation tax ("LAT") in the PRC. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its LAT calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation and its related LAT. The Group recognised LAT based on management's best estimates according to their understanding on the tax rules and from its discussions and understanding with the local PRC tax authorities where it carries out property development operation.

Research and development activities

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at each reporting date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the Group's management.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

5. Revenue/Turnover and other operating income

(a) The Group's turnover represents revenue from its principal activities as set out below:

	Continuing operations		Discontinued operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000 (Re-presented)	**HK$'000**	HK$'000 (Re-presented)	**HK$'000**	HK$'000 (Re-presented)
Sales of properties and car parks	**736,160**	715,561	**—**	—	**736,160**	715,561
Distance learning education services	**—**	—	**12,781**	10,237	**12,781**	10,237
Corporate IT application services	**791,991**	711,554	**—**	—	**791,991**	711,554
Property management	**25,748**	17,101	**—**	—	**25,748**	17,101
Financial information services	**—**	—	**19,578**	20,238	**19,578**	20,238
Culture and media services	**41,057**	45,154	**—**	—	**41,057**	45,154
Cinema ticketing income	**644,363**	389,635	**—**	—	**644,363**	389,635
Confectionery sales	**94,133**	53,974	**—**	—	**94,133**	53,974
	2,333,452	1,932,979	**32,359**	30,475	**2,365,811**	1,963,454

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

5. Revenue/Turnover and other operating income (Continued)

(b) Other operating income:

	Continuing operations		Discontinued operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000 (Re-presented)	**HK$'000**	HK$'000 (Re-presented)	**HK$'000**	HK$'000 (Re-presented)
Bank interest income	**4,839**	1,634	**6**	10	**4,845**	1,644
Other interest income	**13,576**	8,506	**—**	—	**13,576**	8,506
Total interest income on financial assets not at fair value through profit or loss	**18,415**	10,140	**6**	10	**18,421**	10,150
Interest income on financial assets designated at fair value through profit or loss	**—**	1,538	**—**	—	**—**	1,538
Dividend income	**5**	2,590	**—**	—	**5**	2,590
Net fair value gain on financial assets at fair value through profit or loss	**10,690**	—	**—**	—	**10,690**	—
Exchange gain/(loss)	**2,393**	—	**(5)**	—	**2,388**	—
Gain on disposal of non-current assets classified as held for sale	**31,426**	—	**—**	—	**31,426**	—
Rental income	**—**	1,264	**—**	—	**—**	1,264
Government grants*	**34,194**	14,043	**—**	—	**34,194**	14,043
Sundry income	**28,240**	13,308	**668**	815	**28,908**	14,123
	125,363	42,883	**669**	825	**126,032**	43,708

* Government grants have been received from the PRC governmental bodies in the form of the subsidies to cinema operations and design, research and development of new products by certain subsidiaries of the Group. The purpose of the subsidy is to encourage innovation by granting financial assistance to commercial entities who are operating cinema/having research and development projects that meet certain criteria. There are no unfulfilled conditions or contingencies attaching to these grants.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

6. Segment information

The executive directors have identified the Group's five product and service lines as operating segment as further described in note 2.27.

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

	2011								
	Continuing operations					Discontinued operations			Total
	Corporate IT application services HK$'000	Property development HK$'000	Culture and media services HK$'000	All other segments HK$'000	Total HK$'000	Financial information services HK$'000	Distance learning education services HK$'000	Total HK$'000	HK$'000
Revenue									
From external customers	791,991	736,160	779,553	25,748	2,333,452	19,578	12,781	32,359	2,365,811
From inter-segments	—	—	—	4,942	4,942	—	—	—	4,942
Reportable and all other segments revenue	791,991	736,160	779,553	30,690	2,338,394	19,578	12,781	32,359	2,370,753
Reportable and all other segments (loss)/profit	(205,371)	108,378	(116,296)	625	(212,664)	(42,370)	(4,743)	(47,113)	(259,777)
Bank interest income	211	4,223	341	36	4,811	4	2	6	4,817
Other interest income	—	10,594	—	—	10,594	—	—	—	10,594
Interest income on financial assets not at fair value through profit or loss	211	14,817	341	36	15,405	4	2	6	15,411
Finance costs	(7,377)	(239,640)	(46,599)	—	(293,616)	—	—	—	(293,616)
Depreciation and amortisation of non-financial assets	(94,328)	(3,737)	(76,058)	(504)	(174,627)	(493)	(81)	(574)	(175,201)
(Loss)/Gain on disposal of property, plant and equipment	—	49	(5,996)	—	(5,947)	(174)	(29)	(203)	(6,150)
Gain on disposal of non-current assets classified as held for sale	31,426	—	—	—	31,426	—	—	—	31,426
Gain/(Loss) on disposal and dissolution of subsidiaries	(25,196)	—	(24,908)	—	(50,104)	17,240	(3,739)	13,501	(36,603)
Reportable and all other segments assets	1,018,904	8,985,809	1,526,142	19,974	11,550,829	—	—	—	11,550,829
Additions to non-current segment assets during the year	228,918	2,981	561,397	2,279	795,575	812	134	946	796,521
Reportable and all other segments liabilities	(309,320)	(4,789,589)	(1,413,252)	(14,041)	(6,526,202)	—	—	—	(6,526,202)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

6. Segment information (Continued)

	2010 (Re-presented)								
	Continuing operations					Discontinued operations			Total
	Corporate IT application services HK$'000	Property development HK$'000	Culture and media services HK$'000	All other segments HK$'000	Total HK$'000	Financial information services HK$'000	Distance learning education services HK$'000	Total HK$'000	HK$'000
Revenue									
From external customers	711,554	715,561	488,763	17,101	1,932,979	20,238	10,237	30,475	1,963,454
From inter-segments	1,984	—	—	6,494	8,478	—	—	—	8,478
Reportable and all other segments revenue	713,538	715,561	488,763	23,595	1,941,457	20,238	10,237	30,475	1,971,932
Reportable and all other segments (loss)/profit	(97,117)	32,079	(63,485)	(58,790)	(187,313)	(36,298)	1,206	(35,092)	(222,405)
Interest income on financial assets designated at fair value through profit or loss	—	1,538	—	—	1,538	—	—	—	1,538
Bank interest income	173	1,271	79	26	1,549	7	3	10	1,559
Other interest income	—	5,601	—	—	5,601	—	—	—	5,601
Interest income on financial assets not at fair value through profit or loss	173	6,872	79	26	7,150	7	3	10	7,160
Finance costs	(4,111)	(268,648)	(1,609)	—	(274,368)	—	—	—	(274,368)
Depreciation and amortisation of non-financial assets	(95,309)	(3,890)	(61,343)	(406)	(160,948)	(600)	(127)	(727)	(161,675)
Provision for impairment of receivables	(96)	—	(225)	—	(321)	—	—	—	(321)
(Loss)/Gain on disposal of property, plant and equipment	17	—	(24)	—	(7)	(112)	(66)	(178)	(185)
Reportable and all other segments assets	1,075,058	8,290,409	769,550	147,903	10,282,920	8,194	4,229	12,423	10,295,343
Additions to non-current segment assets during the year	266,597	1,956	328,982	839	598,374	106	—	106	598,480
Reportable and all other segments liabilities	(232,137)	(4,765,291)	(283,161)	(9,205)	(5,289,794)	(22,808)	(1,612)	(24,420)	(5,314,214)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

6. Segment information (Continued)

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

	2011 **HK$'000**	2010 HK$'000 (Re-presented)
Reportable segment revenue — continuing operations	**2,307,704**	1,917,862
All other segments revenue — continuing operations	**30,690**	23,595
Reportable segment revenue — discontinued operations	**32,359**	30,475
Elimination of inter-segment revenue	**(4,942)**	(8,478)
Group revenue	**2,365,811**	1,963,454
Reportable segment results — continuing operations	**(213,289)**	(128,523)
All other segments results — continuing operations	**625**	(58,790)
Reportable segment results — discontinued operations	**(47,113)**	(35,092)
Bank interest income	**28**	85
Other interest income	**2,982**	2,905
Interest income on financial assets not at fair value through profit or loss	**3,010**	2,990
Depreciation and amortisation	**(243)**	(245)
Loss on disposal and dissolution of subsidiaries	**(504)**	(58)
Provision for impairment of receivables	**(517)**	(192)
Finance costs	**(3)**	(63)
Share of results of associates	**535**	2,097
Loss on deemed partial disposal of interest in an associate	**—**	(11,355)
Unallocated corporate expenses	**(47,776)**	(59,203)
Elimination of inter-segment profits	**—**	(1,815)
Loss before income tax (note)	**(305,275)**	(290,249)

Note:

Loss before income tax is represented by:

Loss before income tax — continuing operations	**(258,162)**	(255,157)
Loss before income tax — discontinued operations (note 10)	**(60,614)**	(35,092)
Gain on disposal of subsidiaries — discontinued operations (note 10)	**13,501**	—
	(305,275)	(290,249)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

6. Segment information (Continued)

	2011 HK$'000	2010 HK$'000 (Re-presented)
Reportable segment assets — continuing operations	**11,530,855**	10,135,017
All other segment assets — continuing operations	**19,974**	147,903
Reportable segment assets — discontinued operations	**—**	12,423
Interest in associates	**114,385**	108,802
Amount due from an associate	**530**	5,153
Deferred tax assets	**112,268**	62,831
Available-for-sale financial assets	**324**	324
Other financial and corporate assets	**41,862**	86,613
Elimination of inter-segment assets	**—**	(1,856)
Group assets	**11,820,198**	10,557,210
Reportable segment liabilities — continuing operations	**6,512,161**	5,280,589
All other segment liabilities — continuing operations	**14,041**	9,205
Reportable segment liabilities — discontinued operations	**—**	24,420
Amount due to a director	**124,309**	107,046
Amounts due to shareholders	**5,006**	5,006
Amount due to a minority shareholder	**—**	495
Amount due to an associate	**5,502**	5,505
Amount due to a former subsidiary	**59,035**	—
Provision for tax	**880,107**	569,697
Other corporate liabilities	**32,517**	35,027
Group liabilities	**7,632,678**	6,036,990

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

6. Segment information (Continued)

The Group's revenues from external customers and its non-current assets (other than deferred tax assets, financial instruments and pledged bank deposits) are divided into the follow geographical areas:

Revenue from external customer

	Continuing operations		Discontinued operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000 (Re-presented)	**HK$'000**	HK$'000 (Re-presented)	**HK$'000**	HK$'000 (Re-presented)
Mainland China (domicile)	**2,313,837**	1,896,162	**32,359**	30,475	**2,346,196**	1,926,637
Hong Kong	**1,862**	11,185	**—**	—	**1,862**	11,185
USA	**15,598**	17,469	**—**	—	**15,598**	17,469
Others	**2,155**	8,163	**—**	—	**2,155**	8,163
Total	**2,333,452**	1,932,979	**32,359**	30,475	**2,365,811**	1,963,454

Non-current assets

	Continuing operations		Discontinued operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000 (Re-presented)	**HK$'000**	HK$'000 (Re-presented)	**HK$'000**	HK$'000 (Re-presented)
Mainland China (domicile)	**2,139,114**	1,671,161	**—**	1,486	**2,139,114**	1,672,647
Hong Kong	**1,696**	1,502	**—**	—	**1,696**	1,502
USA	**—**	16,955	**—**	—	**—**	16,955
Total	**2,140,810**	1,689,618	**—**	1,486	**2,140,810**	1,691,104

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical and operating location of the assets. The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities, the Group has the majority of its operations and workforce in Mainland China, and therefore, Mainland China is considered as the Group's country of domicile for the purpose of the disclosures as required by HKFRS 8 "Operating Segments".

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

7. Finance costs

	Continuing operations 2011 HK$'000	Continuing operations 2010 HK$'000 (Re-presented)	Discontinued operations 2011 HK$'000	Discontinued operations 2010 HK$'000 (Re-presented)	Total 2011 HK$'000	Total 2010 HK$'000 (Re-presented)
Interest on bank loans wholly repayable within five years	**114,046**	60,616	**—**	—	**114,046**	60,616
Finance costs on finance from third parties wholly repayable within five years	**370,027**	433,203	**—**	—	**370,027**	433,203
Interest on other payables	**106**	148	**—**	—	**106**	148
Interest on finance leases	**29**	3	**—**	—	**29**	3
Total finance costs on financial liabilities not at fair value through profit or loss	**484,208**	493,970	**—**	—	**484,208**	493,970
Less: Amount directly attributable to properties held for and under development capitalised*	**(190,589)**	(219,539)	**—**	—	**(190,589)**	(219,539)
	293,619	274,431	**—**	—	**293,619**	274,431

* The finance costs have been capitalised at a rate of 5.40% to 16.02% (2010: 5.40% to 16.02%) per annum.

The analysis shows the finance costs of bank and other borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in loan agreements. For the year ended 31 December 2011, the interest on bank and other borrowings which contain a repayment on demand clause amounted to HK$5,366,000 (2010: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

8. Loss before income tax

	Continuing operations		Discontinued operations	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Re-presented)		(Re-presented)
Loss before income tax is arrived at after charging/(crediting):				
Gross amortisation of intangible assets other than goodwill*	**64,657**	68,037	**—**	—
Less: Amounts included in research and development expenses	**(2,694)**	(2,542)	**—**	—
Net amortisation of intangible assets other than goodwill*	**61,963**	65,495	**—**	—
Auditors' remuneration	**5,983**	5,805	**40**	50
Bad debts written off*	**—**	378	**27**	—
Cost of provision of corporate IT application services	**204,075**	167,990	**—**	—
Cost of sales of properties and car parks	**296,376**	334,948	**—**	—
Cost of confectionery	**33,864**	22,453	**—**	—
Cost of provision of financial information services	**—**	—	**25,151**	11,067
Cost of provision of culture and media services	**329,743**	255,766	**—**	—
Cost of inventories sold — distance learning materials	**—**	—	**1,623**	1,282
Cost of provision of property management services	**18,694**	14,470	**—**	—
Cost of sales and services provided	**882,752**	795,627	**26,774**	12,349
Gross depreciation of property, plant and equipment — owned assets	**109,479**	91,914	**574**	727
Less: Amounts capitalised in intangible assets	**(202)**	(30)	**—**	—
Amounts included in research and development expenses	**(237)**	(225)	**—**	—
Net depreciation of owned assets*	**109,040**	91,659	**574**	727
Depreciation of leased assets*	**141**	26	**—**	—
Depreciation of investment property*	**—**	55	**—**	—
Write-off of property, plant and equipment*	**1,850**	1,686	**—**	—
Write-off of intangible assets other than goodwill*	**—**	214	**—**	—
Loss on disposal of property, plant and equipment*	**5,947**	7	**203**	178
Net fair value (gain)/loss on financial assets at fair value through profit or loss*	**(10,690)**	52,263	**—**	—
Net foreign exchange (gain)/loss*	**(2,393)**	7,716	**5**	—
Gross operating lease charges on land and buildings	**111,813**	71,542	**3,299**	2,128
Less: Amounts capitalised in intangible assets	**—**	(906)	**—**	—
Amounts included in research and development expenses	**—**	(59)	**—**	—
Net operating lease charges on land and buildings	**111,813**	70,577	**3,299**	2,128
Operating lease charges on prepaid land lease	**593**	1,161	**—**	—
Provision for impairment of receivables*	**517**	513	**—**	—
Research and development expenses*	**88,737**	40,473	**—**	—
Gain on disposal of non-current assets classified as held for sale	**(31,426)**	—	**—**	—

* included in other operating expenses

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

9. Income tax expense

	Continuing operations 2011 HK$'000	Continuing operations 2010 HK$'000 (Re-presented)	Discontinued operations 2011 HK$'000	Discontinued operations 2010 HK$'000 (Re-presented)	Total 2011 HK$'000	Total 2010 HK$'000 (Re-presented)
The tax expense comprises:						
Current tax						
— Hong Kong Profits Tax						
Tax charge for the year	**9,256**	8,866	**—**	4	**9,256**	8,870
— PRC Enterprise Income Tax ("EIT")						
Tax charge for the year	**62,531**	91,328	**—**	—	**62,531**	91,328
Over-provision in respect of prior years	**(4,421)**	—	**—**	—	**(4,421)**	—
— PRC LAT	**237,065**	65,794	**—**	—	**237,065**	65,794
	304,431	165,988	**—**	4	**304,431**	165,992
Deferred tax						
— Credit for the year (note 32)	**(23,706)**	(27,678)	**—**	—	**(23,706)**	(27,678)
	280,725	138,310	**—**	4	**280,725**	138,314

For the years ended 31 December 2011 and 31 December 2010, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year.

PRC EIT has been provided on the estimated assessable profits of subsidiaries operating in Mainland China at 25% (2010: 25%), unless preferential rates are applicable in the cities where the subsidiaries are located.

PRC LAT is levied at progressive rates from 30% to 60% (2010: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights and development and construction expenditure.

Certain subsidiaries of the Group are wholly-owned foreign enterprises, and in accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises, they are entitled to full exemption from EIT for two years and a 50% reduction in the following three years thereafter starting from the first profit making year after offsetting prior years' tax losses.

In addition, certain subsidiaries that are located in the Beijing Economic-Technological Development Area are entitled to preferential PRC EIT rate of 15% (2010: 15%).

No provision for US federal income tax and state income tax as the subsidiaries of the Group have not derived any assessable profits in US for the year ended 31 December 2011 (2010: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

9. Income tax expense (Continued)

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2011 HK$'000	2010 HK$'000 (Re-presented)
Loss before income tax		
— from continuing operations	**(258,162)**	(255,157)
— from discontinued operations	**(47,113)**	(35,092)
	(305,275)	(290,249)
Tax on loss before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**(39,684)**	(58,520)
Tax effect of non-deductible expenses	**91,942**	137,664
Tax effect of non-taxable income	**(21,345)**	(6,181)
Tax effect of unused tax losses not recognised	**73,724**	35,871
Utilisation of tax loss previously not recognised	**(6,357)**	(6,443)
Tax effect on PRC land appreciation tax	**(49,169)**	(29,398)
Tax effect on temporary differences not recognised	**(1,030)**	(473)
PRC land appreciation tax	**237,065**	65,794
Over-provision in respect of prior years	**(4,421)**	—
Income tax expense	**280,725**	138,314

10. Discontinued operations

On 19 December 2011 and 28 December 2011, two subsidiaries of the Group entered into two disposal agreements to dispose of their 100% equity interest in another subsidiaries, namely China Education Online Limited ("CEOL") and Shihua (Hong Kong) Financial Information Company Limited ("Shihua"). The disposed companies were principally engaged in financial information services and distance learning education services. The disposal of CEOL and Shihua were completed on 19 December 2011 and 28 December 2011 respectively. CEOL and Shihua are together referred to as the "Disposal Group" hereafter.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

10. Discontinued operations (Continued)

As the Disposal Group represented separate components of the Group's business, the operations and cash flows of which could be clearly distinguished from the rest of the Group and which represented separate major lines of businesses, the Group presented, in its financial statements, the operations of the Disposal Group as discontinued operations in accordance with HKFRS 5. The results and cash flows from financial information services operation and distance learning education services operation included in the consolidated financial statements are as follows:

	Notes	**2011 HK$'000**	2010 HK$'000 (Re-presented)
Revenue/Turnover	5(a)	**32,359**	30,475
Cost of sales and services provided		**(26,774)**	(12,349)
Other operating income	5(b)	**669**	825
Selling and marketing expenses		**(13,021)**	(13,074)
Administrative expenses		**(51,784)**	(38,963)
Other operating expenses		**(2,063)**	(2,006)
Loss before income tax	8	**(60,614)**	(35,092)
Income tax expense	9	**—**	(4)
Loss for the year		**(60,614)**	(35,096)
Gain on disposal of subsidiaries	36(b)	**13,501**	—
Loss for the year from discontinued operations		**(47,113)**	(35,096)
Cash flows			
Operating activities		**(1,576)**	(38,204)
Investing activities		**(907)**	(1,307)
Net cash outflow		**(2,483)**	(39,511)

11. Loss for the year attributable to the owners of the Company

Of the consolidated loss attributable to the owners of the Company of HK$494,746,000 (2010: HK$381,573,000), a loss of HK$108,177,000 (2010: HK$108,740,000) has been dealt with in the financial statements of the Company.

12. Loss per share

(a) From continuing and discontinued operations

The calculation of basic loss per share from continuing and discontinued operations is based on the loss attributable to the owners of the Company of HK$494,746,000 (2010: HK$381,573,000) and on weighted average of 68,645,535,794 (2010: 68,645,531,684) ordinary shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

12. Loss per share (Continued)

(b) From continuing operations

The basic loss per share from continuing operations attributable to the owners of the Company is calculated based on the following data:

Loss figures are calculated as follows:

	2011 HK$'000	2010 HK$'000 (Re-presented)
Loss for the year from continuing operations	**538,887**	393,467
Less: Loss for the year from continuing operations attributable to non-controlling interests	**(67,264)**	(34,990)
Loss for the year from continuing operations attributable to owners of the Company	**471,623**	358,477

The denominators used are the same as those detailed above basic loss per share from continuing and discontinued operations.

(c) From discontinued operations

The basic loss per share from discontinued operations attributable to the owners of the Company is calculated based on the following data:

Loss figures are calculated as follows:

	2011 HK$'000	2010 HK$'000 (Re-presented)
Loss for the year from discontinued operations	**47,113**	35,096
Less: Loss for the year from discontinued operations attributable to non-controlling interests	**(23,990)**	(12,000)
Loss for the year from discontinued operations attributable to owners of the Company	**23,123**	23,096

The denominators used are the same as those detailed above for basic loss per share from continuing and discontinued operations.

(d) The share options had no dilutive effect on the loss per share for the year ended 31 December 2011, as the exercise price of the options outstanding during the year exceeds the average market price of ordinary shares.

Diluted per share amount for the year ended 31 December 2010 was not presented because the impact of the exercise of the share options was anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

13. Employee benefit expense (including directors' emoluments)

	2011 **HK$'000**	2010 HK$'000 (Re-presented)
Continuing operations		
Directors' fee (note 38(a))	**1,068**	977
Wages and salaries	**704,898**	535,848
Pension costs — defined contribution plans	**89,163**	75,361
Equity-settled share-based compensation expenses	**—**	1,754
Staff welfare	**36,245**	28,908
	831,374	642,848
Less: Amounts capitalised in intangible assets	**—**	(4,823)
	831,374	638,025
Discontinued operations		
Wages and salaries	**40,471**	30,491
Pension costs — defined contribution plans	**9,347**	7,670
Staff welfare	**2,332**	1,927
	52,150	40,088
Total employee benefit expenses	**883,524**	678,113

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

14. Property, plant and equipment

Group

	Buildings HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Motor vehicles/ Yachts HK$'000	Total HK$'000
At 1 January 2010					
Cost	24,250	523,854	141,611	34,538	724,253
Accumulated depreciation	(3,031)	(189,475)	—	(2,386)	(194,892)
Net carrying amount	21,219	334,379	141,611	32,152	529,361
Year ended 31 December 2010					
Opening net carrying amount	21,219	334,379	141,611	32,152	529,361
Additions	—	352,705	76,833	668	430,206
Transfer from investment property (note 15)	11,488	—	—	—	11,488
Acquisition of subsidiaries (note 36(a))	—	1,093	—	—	1,093
Disposals	—	(22,456)	—	(124)	(22,580)
Transfer to non-current assets classified as held for sale (note 17)	(32,152)	—	—	—	(32,152)
Write-off	—	(1,686)	—	—	(1,686)
Depreciation	(1,517)	(87,201)	—	(3,949)	(92,667)
Exchange differences	962	16,848	6,651	1,021	25,482
Closing net carrying amount	—	593,682	225,095	29,768	848,545
At 31 December 2010 and 1 January 2011					
Cost	—	856,189	225,095	35,736	1,117,020
Accumulated depreciation	—	(262,507)	—	(5,968)	(268,475)
Net carrying amount	—	593,682	225,095	29,768	848,545
Year ended 31 December 2011					
Opening net carrying amount	**—**	**593,682**	**225,095**	**29,768**	**848,545**
Additions (note 36(c))	**5,054**	**602,262**	**124,018**	**3,216**	**734,550**
Disposal and dissolution of subsidiaries (note 36(b))	**—**	**(5,395)**	**—**	**—**	**(5,395)**
Disposals	**—**	**(6,362)**	**—**	**(139)**	**(6,501)**
Write-off	**—**	**(1,774)**	**—**	**(76)**	**(1,850)**
Depreciation	**(98)**	**(106,498)**	**—**	**(3,598)**	**(110,194)**
Exchange differences	**111**	**38,123**	**13,218**	**1,354**	**52,806**
Closing net carrying amount	**5,067**	**1,114,038**	**362,331**	**30,525**	**1,511,961**
At 31 December 2011					
Cost	**5,168**	**1,460,812**	**362,331**	**39,972**	**1,868,283**
Accumulated depreciation	**(101)**	**(346,774)**	**—**	**(9,447)**	**(356,322)**
Net carrying amount	**5,067**	**1,114,038**	**362,331**	**30,525**	**1,511,961**

The carrying amount of the Group's property, plant and equipment includes an amount of HK$408,000 (2010: HK$30,000) in respect of assets held under finance lease.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

14. Property, plant and equipment (Continued)

Company

	Leasehold improvements, furniture, fixtures and equipment HK$'000
At 1 January 2010	
Cost	711
Accumulated depreciation	(423)
Net carrying amount	288
Year ended 31 December 2010	
Opening net carrying amount	288
Additions	10
Depreciation	(146)
Closing net carrying amount	152
At 31 December 2010 and 1 January 2011	
Cost	721
Accumulated depreciation	(569)
Net carrying amount	152
Year ended 31 December 2011	
Opening net carrying amount	**152**
Additions	**6**
Depreciation	**(117)**
Closing net carrying amount	**41**
At 31 December 2011	
Cost	**727**
Accumulated depreciation	**(686)**
Net carrying amount	**41**

The carrying amount of the Company's property, plant and equipment includes an amount of HK$4,000 (2010: HK$30,000) in respect of assets held under finance lease.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

15. Investment property

Group

	HK$'000
At 1 January 2010	
Cost	13,039
Accumulated depreciation	(1,630)
Net carrying amount	11,409
Year ended 31 December 2010	
Opening net carrying amount	11,409
Depreciation	(55)
Transfer to property, plant and equipment (note 14)	(11,488)
Net exchange differences	134
Closing net carrying amount	—
At 31 December 2010	
Cost	—
Accumulated depreciation	—
Net carrying amount	—

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

16. Prepaid land lease payments under operating leases

The Group's interests in leasehold land/land use rights represent prepaid operating lease payments and their carrying amounts are analysed as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Outside Hong Kong, held on land with:		
Unexpired terms of leases of between 10 to 50 years	**15,021**	14,713
Unexpired terms of leases over 50 years	**13,344**	—
	28,365	14,713

	Group	
	2011	2010
	HK$'000	HK$'000
Opening net carrying amount	**14,713**	57,019
Additions	**13,309**	—
Annual charges of prepaid operating lease payments	**(593)**	(1,161)
Transfer to non-current assets classified as held for sale (note 17)	**—**	(43,073)
Net exchange differences	**936**	1,928
Closing net carrying amount	**28,365**	14,713

17. Non-current assets classified as held for sale

In October 2010 the board resolved and announced to dispose of its interest in certain prepaid land lease payments under operating leases and property, plant and equipment. The disposal was completed in January 2011 and the Group has entered into an operating lease agreement for the lease of property from 1 February 2011 to 30 June 2011. As at 31 December 2010, the following major classes of assets relating to this disposal have been classified as held for sale in the consolidated statement of financial position. During the year ended 31 December 2011, there was a gain on disposal of non-current assets classified as held for sale amounting to HK$31,426,000 on such disposal.

	Group	
	2011	2010
	HK$'000	HK$'000
Prepaid land lease payments under operating leases (note 16)	**—**	43,073
Property, plant and equipment (note 14)	**—**	32,152
	—	75,225

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

18. Interests in subsidiaries

	Company 2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**116**	578
Less: Provision for impairment	**(116)**	(578)
	—	—

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

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of capital held by the Company Directly	Indirectly	Principal activities
CE Dongli Advertising (HK) Company Limited	Hong Kong	100 ordinary shares of HK$1 each	—	62.85	Investment holding
China Enterprise ASP Limited ("CE ASP")	Hong Kong	9,000,000 ordinary shares of HK$1 each	—	62.85	Investment holding
Dadi Entertainment Limited	Hong Kong	2 ordinary shares of HK$1 each	—	100	Investment holding, film distribution and production
Dadi Media Limited ("Dadi Media")	Hong Kong	2 ordinary shares of HK$1 each	—	62.85	Investment holding
Dadi Media (HK) Limited	Hong Kong	1 ordinary share of HK$1 each	100	—	Investment holding
Goalrise Investments Limited	British Virgin Islands ("BVI")	1 ordinary share of US$1 each	100	—	Trading of securities
Ko Tact Limited	BVI	1 ordinary share of US$1 each	—	100	Investment holding
Listar Properties Limited	BVI	20,000,000 ordinary shares of US$1 each	—	100	Investment holding
Liu Wan Development (BVI) Company Limited ("LWD")	BVI	215,000,000 ordinary shares of US$1 each	—	100	Investment holding
Liu Wan Investment Company Limited ("LWI")	Hong Kong	2 ordinary shares of US$1 each	—	100	Investment holding
Nan Hai Development Limited	Hong Kong	2 ordinary shares of HK$1 each	100	—	Investment holding
Robina Profits Limited	BVI	1 ordinary share of US$1 each	—	62.85	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

18. Interests in subsidiaries (Continued)

Name	Country/Place of incorporation/ establishment and operations	Particulars of issued and paid-up share capital/ registered capital	Percentage of capital held by the Company Directly	Percentage of capital held by the Company Indirectly	Principal activities
Sino-i Technology Limited ("Sino-i")	Hong Kong	19,914,504,877 ordinary shares of HK$0.01 each	—	62.85	Investment holding
View Power Investments Limited	BVI	1 ordinary share of US$1 each	100	—	Investment holding
Wise Advance Investments Limited	BVI	1 ordinary share of US$1 each	100	—	Investment holding
中企動力科技股份有限公司 (note a)	PRC	RMB500,000,000	—	62.75	Information technology business
北京中企動力廣告有限公司 (note b)	PRC	RMB1,000,000	—	62.85	Information technology business
深圳市半島城邦物業管理有限公司 (note b)	PRC	RMB10,000,000	—	100	Property management
深圳市金益田實業發展有限公司 (note b)	PRC	RMB18,000,000	—	100	Property development
深圳南海益田置業有限公司 (note c)	PRC	RMB110,000,000	—	100	Investment holding and property development
廣州東鏡新城房地產有限公司 (note c)	PRC	US$42,000,000	—	100	Property development
廣東大地影院建設有限公司 (note b)	PRC	RMB416,427,999	—	100	Operation of digital cinemas
大地影院發展有限公司 (note b)	PRC	RMB214,000,000	—	100	Operation of digital cinemas
大地時代電影文化傳播(北京)有限公司 (note b)	PRC	RMB40,000,000	—	100	Film distribution
大地辰星科技發展(北京)有限公司 (formerly named as 大地晨星科技發展(北京)有限公司) (note b)	PRC	RMB1,000,000	—	100	Development of film equipments
大地時代廣告(北京)有限公司 (note b)	PRC	RMB1,000,000	—	100	Providing advertising services
哈票網絡科技(北京)有限公司 (note b)	PRC	RMB1,000,000	—	100	Internet ticketing

The above table lists out the subsidiaries of the Company as at 31 December 2011 which, in the opinion of the directors, principally affected the Group's results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes:

(a) This subsidiary is registered as joint stock limited company under the law of PRC.

(b) These subsidiaries are registered as limited liability company under the law of PRC.

(c) These subsidiaries are registered as Sino-foreign co-operative joint venture under the law of PRC.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

19. Interest in associates

	Group 2011 HK$'000	2010 HK$'000
Balance at 1 January	**40,461**	34,811
Dissolution and deemed disposal of associates	**—**	2,248
Share of results of associates		
— Profit after income tax	**535**	2,097
Net exchange differences	**1,885**	1,305
Share of net assets	**42,881**	40,461
Goodwill	**71,504**	68,341
Balance at 31 December	**114,385**	108,802

Particulars of the associates at 31 December 2010 and 31 December 2011 are as follows:

Name	Country of incorporation/ establishment and operations	Particulars of issued capital/registered capital	Percentage of interest held by the Group 2011	2010	Nature of business
Genius Reward Company Limited*	Hong Kong	2 ordinary shares of HK$100 each	**31**	31	Inactive
Loongson Technology Co., Ltd* (previously named as Beijing Loongson Technology Service Co., Ltd)	PRC	RMB137,500,000	**20**	20	Development of central processing unit

* unlisted limited liability company

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

19. Interest in associates (Continued)

The summarised financial information of the Group's associates extracted from their management accounts are as follows:

	2011 HK$'000	2010 HK$'000
Assets	**342,090**	246,034
Liabilities	**(76,027)**	(52,985)
Revenue	**98,755**	54,112
Profit for the year	**1,887**	9,523

The Group has discontinued recognising its share of loss of an associate. The amount of unrecognised share of loss of the associate for the year and accumulated unrecognised share of loss of the associate amounted to HK$247,000 (2010: HK$247,000) and HK$3,156,000 (2010: HK$2,909,000) respectively.

20. Deposits, prepayments and other receivables

	Group 2011 HK$'000	 2010 HK$'000
Deposits and prepayments	**264,779**	184,233
Outstanding consideration receivable arising from the disposal of a subsidiary	**37,923**	75,818
Loan receivables	**120,013**	109,118
Others	**829,161**	447,067
	1,251,876	816,236
Less: Provision for impairment of receivables	**(26,131)**	(24,777)
	1,225,745	791,459
Less non-current portion:		
Long term rental deposits	**131,046**	52,572
Loan receivables	**—**	109,118
Deposits for purchase of property, plant and equipment	**22,525**	87,231
	153,571	248,921
	1,072,174	542,538

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

20. Deposits, prepayments and other receivables (Continued)

The outstanding consideration receivable arising from the disposal of a subsidiary was unsecured, bore interest at the rate 5% per annum and was originally repayable on 24 September 2009. On 25 September 2009, the Group entered into supplemental agreement to extend the loan, which bore interest at the rate of 5% per annum and was repayable on 24 September 2010. The repayment period of the receivable was further extended to 30 June 2011 after another supplemental agreement was signed on 25 September 2010. On 1 July 2011, the Group entered into supplemental agreement to further extend the loan, which bore interest at rate of 5% per annum and will be repayable on 31 August 2012.

The loan receivable of HK$120,013,000 (2010: HK$109,118,000) is unsecured, bears interest at the rate of 5% (2010: 5%) per annum and repayable in May 2012.

Impairment losses in respect of other 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 other receivables directly. The movement in the provision for impairment of other receivables is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At the beginning of the year	**24,777**	23,878
Provision for impairment (note 8)	**517**	173
Disposal of subsidiaries	**(168)**	—
Exchange differences	**1,005**	726
At the end of the year	**26,131**	24,777

At each of the reporting dates, the Group's other receivables were individually determined to be impaired. The Group encountered difficulties in collection of certain other receivables and appropriate provision for impairment has been made against these other receivables. The individually impaired receivables are recognised based on the credit history of these debtors, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised. Except for certain other receivables that are being undertaken by a substantial shareholder of the Company, the Group does not hold any collateral over these balances. Except for the amount impaired, none of the above assets is either past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

21. Intangible assets

Group

	Computer software HK$'000	Development cost HK$'000	Goodwill HK$'000	Others* HK$'000	Total HK$'000
At 1 January 2010					
Gross carrying amount/Cost	143,652	41,007	547,330	1,458	733,447
Accumulated amortisation	(112,264)	(6,744)	—	(13)	(119,021)
Accumulated impairment	—	—	(306,800)	—	(306,800)
Net carrying amount	31,388	34,263	240,530	1,445	307,626
Year ended 31 December 2010					
Opening net carrying amount	31,388	34,263	240,530	1,445	307,626
Additions	145,675	19,455	—	—	165,130
Acquisition of subsidiaries (note 36(a))	1,120	—	55,459	1,079	57,658
Disposal and dissolution of subsidiaries (note 36(b))	—	—	(6)	—	(6)
Amortisation charge for the year	(59,110)	(8,180)	—	(747)	(68,037)
Write-off	—	(214)	—	—	(214)
Exchange differences	3,086	1,438	3,423	19	7,966
Closing net carrying amount at 31 December 2010	122,159	46,762	299,406	1,796	470,123
At 31 December 2010 and 1 January 2011					
Gross carrying amount/Cost	309,172	62,325	606,206	2,572	980,275
Accumulated amortisation	(187,013)	(15,563)	—	(776)	(203,352)
Accumulated impairment	—	—	(306,800)	—	(306,800)
Net carrying amount	122,159	46,762	299,406	1,796	470,123
Year ended 31 December 2011					
Opening net carrying amount	**122,159**	**46,762**	**299,406**	**1,796**	**470,123**
Additions	**—**	**48,361**	**—**	**314**	**48,675**
Disposal and dissolution of subsidiaries (note 36(b))	**(12,835)**	**(39,242)**	**(81,629)**	**(337)**	**(134,043)**
Amortisation charge for the year	**(48,403)**	**(15,886)**	**—**	**(368)**	**(64,657)**
Exchange differences	**4,561**	**2,898**	**4,955**	**16**	**12,430**
Closing net carrying amount at 31 December 2011	**65,482**	**42,893**	**222,732**	**1,421**	**332,528**
At 31 December 2011					
Gross carrying amount/Cost	**295,582**	**43,858**	**253,305**	**2,565**	**595,310**
Accumulated amortisation	**(230,100)**	**(965)**	**—**	**(1,144)**	**(232,209)**
Accumulated impairment	**—**	**—**	**(30,573)**	**—**	**(30,573)**
Net carrying amount	**65,482**	**42,893**	**222,732**	**1,421**	**332,528**

* Other intangible assets include customer relationship, trademark and masthead.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

21. Intangible assets (Continued)

For the purpose of the annual impairment test, the carrying amount of goodwill is allocated to the following cash-generating units ("CGU"):

	2011 HK$'000	2010 HK$'000
Property development	**143,111**	143,111
Corporate IT application services	**53,452**	115,866
Culture and media services — Cinema business	**26,169**	25,111
Culture and media services — Newspaper publishing	**—**	15,318
Net carrying amount at 31 December	**222,732**	299,406

The recoverable amounts for the CGU given above were determined based on value in use calculations, covering a detailed five-year financial budgets, cash flows for certain CGU were extrapolated for a further five-year period using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value in use calculations for the year are as follows:

	Property development		Corporate IT application services		Culture and media services — cinema business		Culture and media services — newspaper publishing	
	2011	2010	2011	2010	2011	2010	2011	2010
Discount rates	**6.8%**	6.1%	**6.8%**	4.8%	**6.8%**	6.1%	**N/A**	10.57%
Growth rates used to extrapolate cash flows beyond the budgeted period	**N/A**	N/A	**N/A**	N/A	**5%**	N/A	**N/A**	2%

The budgeted gross margin and net profit margin were determined by the management for each individual CGU based on past performance and its expectations for market development.

The growth rate used for each of the above CGU is determined by reference to the average growth rate for the corresponding industry to which the CGU belongs.

The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the year ended 31 December 2010, goodwill arising from acquisition of subsidiaries stated in note 36(a), which are engaged in information technology business and culture and media services, is attributable to the expanding corporate IT applications services and the capture of growing cinema business opportunities.

Apart from the considerations described in determining the value in use calculation of the CGU above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

22. Inventories

	Group	
	2011	2010
	HK$'000	HK$'000
Property development:		
Properties under development	**7,701,415**	6,820,629
Completed properties held for sale	**328,069**	571,334
Other operations:		
Confectionery	**5,454**	2,719
Movie projectors servers and spare parts	**4,160**	—
	8,039,098	7,394,682

All the above inventories are stated at cost.

The amount of properties under development, which comprise of land under development, expected to be recovered after more than one year is HK$7,701,415,000 (2010: HK$6,820,629,000). All of the other inventories are expected to be recovered within one year.

23. Financial assets at fair value through profit or loss

	Group	
	2011	2010
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at fair value	**235**	999
Listed equity securities in PRC, at fair value	**1,449**	133,881
Unlisted debt securities, at fair value	**—**	77,626
	1,684	212,506
Market value of listed equity securities	**1,684**	134,880
Unlisted debt securities, at fair value	**—**	77,626
	1,684	212,506

The above financial assets at fair value through profit or loss are classified as held for trading. The fair value of the Group's investments in listed securities has been determined by reference to their quoted bid prices at the reporting date. The fair value of the Group's investments in unlisted debt securities has been determined by reference to their quoted prices readily available from the brokers at the reporting date.

Changes in fair values of the financial assets at fair value through profit or loss are recorded in other operating income/other operating expenses in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

24. Trade receivables

Based on the invoice dates, the aging analysis of the trade receivables is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0–90 days	**18,986**	72,500
91–180 days	**18,964**	4,755
181–270 days	**3,698**	68,587
271–360 days	**4,019**	882
Over 360 days	**6,837**	2,717
Trade receivables, gross	**52,504**	149,441
Less: Provision for impairment of receivables	**(10,516)**	(11,594)
Trade receivables, net	**41,988**	137,847

Trade receivables are due on presentation of invoices.

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 provision for impairment of trade receivables is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At the beginning of the year	**11,594**	10,898
Provision for impairment	**—**	340
Amounts written-off as uncollectible	**(16)**	—
Disposal of subsidiaries	**(1,551)**	—
Exchange differences	**489**	356
At the end of the year	**10,516**	11,594

At each of the reporting dates, the Group's trade receivables were individually assessed for impairment. The Group encountered difficulties in collection of certain trade receivables and appropriate provision for impairment has been made against these trade receivables. The individually impaired receivables are recognised based on the credit history of its customers, their financial positions and records of delinquency in payments, and current market conditions. The Group does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

24. Trade receivables (Continued)

The aging analysis of trade receivables that are not considered to be impaired is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0–90 days past due	**18,986**	72,500
91–180 days past due	**16,815**	4,755
181–270 days past due	**1,580**	58,576
271–360 days past due	**2,422**	882
Overdue for more than 360 days	**2,185**	1,134
	41,988	137,847

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the management believe 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 Group does not hold any collateral or other credit enhancements over these balances.

25. Cash and cash equivalents and pledged bank deposits

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**411,167**	434,851	**9,314**	16,197
Less: Pledged bank deposits presented as non-current assets	**(25,670)**	—	**—**	—
Less: Pledged bank deposits presented as current assets and excluded from cash and cash equivalents	**(246,822)**	(37,446)	**—**	—
Cash and cash equivalents as stated in the statement of financial position	**138,675**	397,405	**9,314**	16,197

Included in bank and cash balance of the Group is an aggregate amount of approximately HK$108,807,000 (2010: HK$340,783,000), which represented Renminbi ("RMB") deposits placed with banks in Mainland China.

RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks which are authorised to conduct foreign exchange business.

Pledged deposits earn interest at floating rates based on daily bank deposit rates (2010: floating rates based on daily bank deposit rates).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

26. Trade payables

Based on invoice dates, the aging analysis of the trade payables is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0–90 days	**170,935**	49,722
91–180 days	**60,670**	12,069
181–270 days	**4,919**	6,303
271–360 days	**8,235**	249,847
Over 360 days	**220,496**	27,534
	465,255	345,475

All amounts are short term and hence the carrying values of the Group's trade payables are considered to be a reasonable approximation of their fair values.

27. Other payables and accruals

Included in other payables and accruals as at 31 December 2011 is HK$1,408,000 (2010: HK$21,415,000) in respect of deferred government grants mainly related to the Group's design, research and development of new software products of the Group which contributes positively to the local industry environment. The government grant must be utilised for the development of products specified and be recognised upon conditions fulfilled.

28. Loan from/Amount(s) due from/(to) a director/a minority shareholder/ shareholders/subsidiaries/a former subsidiary/an associate

(a) Amount due to a director

The amount due to a director is unsecured, interest-free and repayable on demand.

(b) Amounts due to shareholders

The amounts due to shareholders are unsecured, interest-free and repayable on demand.

(c) Amount due to a minority shareholder

At 31 December 2010, the amount due was unsecured and represents the liability component of the convertible preferred stocks issued by a subsidiary, Chinese Media Net, Inc. ("CMN"), and the dividend in arrears on these convertible preferred stock; with initial recognised amounts of HK$328,000 and HK$167,000, respectively, and the amounts were stated at amortised cost calculated using an effective interest rate of 19.64% subsequent to the date of acquisition of CMN.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

28. Loan from/Amount(s) due from/(to) a director/a minority shareholder/ shareholders/subsidiaries/a former subsidiary/an associate (Continued)

(d) Amount due from/(to) an associate

The amount due from/(to) an associate is unsecured, interest-free and repayable on demand.

(e) Amounts due from subsidiaries

	Company	
	2011	2010
	HK$'000	HK$'000
Amounts due from subsidiaries	**5,068,625**	5,782,943
Less: Amounts included in non-current assets	**(105,916)**	—
	4,962,709	5,782,943
Less: Allowances for amounts due from subsidiaries	**(48,005)**	(54,290)
Amounts due from subsidiaries included in current assets	**4,914,704**	5,728,653

The amounts due from subsidiaries included in current assets are unsecured, interest-free and repayable on demand.

The amounts due from subsidiaries included in non-current assets are unsecured, interest-free and repayable after one year.

(f) Amount(s) due to subsidiaries/a former subsidiary

The amount(s) due is/are unsecured, interest-free and repayable on demand.

(g) Loan from subsidiaries

On 29 May 2009, the Company entered into loan agreement with certain subsidiaries to advance a loan with principal of HK$1,645,530,000 which bore interest at 6.00% per annum, and would be repayable on or before 29 June 2011 and secured by share mortgage of a subsidiary.

On 20 May 2011, loan extension agreement in respect of loan agreement dated 29 May 2009 was signed and was conditional upon the Company having settled in full, the interest accrued on the outstanding principal amount under the loan agreement on or before 29 June 2011. It was agreed that the repayment date for the outstanding principle to be extended for two years to 29 June 2013.

As at 31 December 2011 and 31 December 2010, included in the outstanding balance of approximately HK$1,317,149,000 and HK$1,499,588,000 respectively were interest bearing at 6.00% per annum and the remaining balance was interest-free, will be repayable on or before 29 June 2013 and secured by share mortgage of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

29. Bank and other borrowings

		Group		Company	
		2011	2010	**2011**	2010
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Bank loans, secured	(a)	**1,861,430**	1,075,615	**—**	—
Other borrowings, secured	(a),(b)	**511,950**	—	**191,081**	—
		2,373,380	1,075,615	**191,081**	—

At 31 December 2011, the bank and other borrowings of the Group are repayable as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**1,125,110**	280,137	**191,081**	—
In the second year	**753,088**	462,262	**—**	—
In the third to fifth years	**495,182**	333,216	**—**	—
Wholly repayable within 5 years	**2,373,380**	1,075,615	**191,081**	—
Less: Portion due within one year under current liabilities	**(1,125,110)**	(280,137)	**(191,081)**	—
Portion due over one year under non-current liabilities	**1,248,270**	795,478	**—**	—

(a) At 31 December 2011, bank and other borrowings amounted to HK$1,762,702,000 (2010: HK$639,190,000) carry interest at floating rates ranging from 3.28% to 8.53% per annum (2010: 4.86% to 6.39% per annum). The remaining balances carry interest at fixed rates ranging from 5.00% to 8.97% per annum (2010: 5.40% to 5.84% per annum). The carrying amounts of bank and other borrowings approximate their fair values.

(b) Included in other borrowings of HK$320,869,000 is amount due to a financial institution regarding three sales and leaseback arrangements for property, plant and equipment. The transactions are classified as loan financing and corresponding property, plant and equipment of HK$298,593,000 are pledged as security under this arrangement.

(c) The current liabilities include bank loans of HK$227,161,000 (2010: HK$Nil) that are not scheduled to repay within one year. They are classified as current liabilities as the related loan agreement contain a clause that provides the lenders with an unconditional right to demand repayment at any time at its own discretion. However, none of the portion of these bank loans are due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

29. Bank and other borrowings (Continued)

(d) The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**1,955,139**	1,075,615	**—**	—
USD	**418,241**	—	**191,081**	—
	2,373,380	1,075,615	**191,081**	—

30. Finance lease liabilities

(a) Total minimum lease payments is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due within one year	**141**	18	**18**	18
Due in the second to fifth years	**381**	40	**22**	40
	522	58	**40**	58
Future finance charges on finance leases	**(48)**	(8)	**(6)**	(8)
Present value of finance lease liabilities	**474**	50	**34**	50

(b) The present value of finance lease liabilities is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Due within one year under current liabilities	**120**	16	**16**	16
Due in the second to fifth years under non-current liabilities	**354**	34	**18**	34
	474	50	**34**	50

The Group has entered into finance leases for item of office equipment and a motor vehicle (2010: office equipment) with remaining lease terms of two to four years (2010: three years). Interest rate under the leases is fixed at 2.50% to 3.46% (2010: 3.46%) per annum. The lease does not have options to renew or any contingent rental provisions. Under the lease terms, the Group has the option to purchase the leased assets at a price that is expected to be sufficiently lower than the fair value of the leased assets at the end of the leases.

Finance lease liabilities are secured by the underlying assets where the lessor has the rights to revert in event of default. The carrying amount of the finance lease liabilities are denominated in Hong Kong dollars and approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

31. Finance from third parties

At 31 December 2011, the finance from third parties is repayable as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**2,543,762**	2,834,233

At 31 December 2010, the maturity dates of finance from third parties of HK$391,540,000 and HK$2,442,693,000 were on 16 January 2011 and 22 July 2011 respectively. Finance cost of which are calculated at an effective rate of return of 15% and 16% per annum respectively. The amount of HK$391,540,000 was repaid in full during the year.

On 22 July 2011, the Group entered into a supplemental agreement and another finance agreement for the amount of HK$2,136,063,000 and HK$408,555,000 respectively in order to repay the outstanding balance due, and both agreements will mature on 31 December 2013. Finance cost of which are calculated at an effective rate of return of 12% and 12% per annum respectively.

On 31 December 2011, a principal of HK$776,750,000 (US$100,000,000) and related finance costs of HK$78,035,000 (included in other payables and accruals) had been due for repayment on 31 December 2011 and a further principal of HK$621,400,000 (US$80,000,000) shall be paid on 31 March 2012. The principal of HK$776,750,000 and finance costs remain outstanding as of the date of the financial statements, as such, under the terms as stated in the agreement with the financier, the financier has the right to accelerate the payment of the full amount of principal together with the finance costs. The total amount due has accordingly been reclassified as current liabilities.

Owing to the long standing relationship between the Group and the financier, both parties are using their best endeavours to reach new terms of restructuring of the Group's indebtedness including the payment of the Short Term Obligation to be extended to 30 June 2012 or any other later date. Discussions are in a positive progress, and the directors of the Company hope to conclude the terms shortly and by no later than 30 June 2012.

Concurrently, the Group is also in discussions with banks to raise a finance of US$200 million and RMB2 billion. Approval progress of the aforesaid finance is in the finalization stage, and is expected to be completed before 30 June 2012. Upon the facility is made available, the Group may use it to settle the Short Term Obligation when it is due on 30 June 2012 or any other later mutually agreed date.

The directors believe that, in the unlikely event that neither the restructuring of the indebtedness with the third party financier nor the facility to be provided by the bank are successful, the Group will still be able to discharge its Short Term Obligation as this indebtedness is effectively secured by certain land under development held by the Group whose carrying value and fair value as at 31 December 2011 was approximately HK$7,701,415,000 and HK$15,823,152,000 respectively.

These finances from third parties are secured by shares mortgage (which is effectively secured by certain land included in properties under development held by the Group), bank accounts charges and assignment of shareholders' loan of three wholly-owned subsidiaries of the Company, corporate guarantee given by the Company and a wholly-owned subsidiary, a subordination deed from a wholly-owned subsidiary and personal guarantee given by a director.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

32. Deferred tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Temporary difference on receipt in advance HK$'000	Total HK$'000
At 1 January 2010	226,542	—	226,542
Exchange differences	7,862	—	7,862
At 31 December 2010 and 1 January 2011	**234,404**	**—**	**234,404**
Deferred tax charged to the income statement (note 9)	**—**	**21,796**	**21,796**
Exchange differences	**10,855**	**492**	**11,347**
Gross deferred tax liabilities at 31 December 2011	**245,259**	**22,288**	**267,547**

Deferred tax assets

Group

	Provision of PRC LAT HK$'000
At 1 January 2010	33,369
Deferred tax credited to the income statement (note 9)	27,678
Exchange differences	1,784
At 31 December 2010 and 1 January 2011	**62,831**
Deferred tax credited to the income statement (note 9)	**45,502**
Exchange differences	**3,935**
Gross deferred tax assets at 31 December 2011	**112,268**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

32. Deferred tax (Continued)

At 31 December 2011, the amount of unused tax losses for which no deferred tax assets is recognised in the consolidated statement of financial position is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Temporary differences attributable to:		
— unused tax losses	**397,756**	538,812

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Mainland China amounted to HK$342,459,000 (2010: HK$419,013,000) can be carried forward for five years while tax losses of the subsidiaries operating in Hong Kong amounted to HK$55,297,000 (2010: HK$56,115,000) can be carried forward indefinitely under the current tax legislation. At 31 December 2011, no tax loss is related to the subsidiaries operating in USA (2010: the tax losses of the subsidiaries operating in USA amounted to HK$63,684,000 and will be expired between 2026 to 2030).

33. Share capital

	Number of ordinary shares of HK$0.01 each	**HK$'000**
Authorised:		
At 1 January 2010, 31 December 2010 and **31 December 2011**	**500,000,000,000**	**5,000,000**
Issued and fully paid:		
At 1 January 2010	68,645,035,794	686,450
Issue of ordinary shares upon exercise of share options	500,000	5
At 31 December 2010, 1 January 2011 and **31 December 2011**	**68,645,535,794**	**686,455**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

34. Share option scheme

Company

The Company operates a share option scheme.

On 29 August 2002, the Company adopted a share option scheme (the "Scheme"). Under the Scheme, share options may be granted to directors, employees of the Group and those who have contributed or will contribute to the Group at any time within ten years after its adoption at the discretion of the Board of the Company.

On 18 January 2007, share options to subscribe for a total of 157,000,000 shares, representing approximately 0.52% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors and employees of the Group at an exercise price of HK$0.0714 per share.

On 20 April 2009, another share options to subscribe for a total of 185,200,000 shares, representing approximately 0.62% of the issued share capital of the Company as at the date of the adoption of the Scheme, were granted to the directors, employees of the Group and those who have contributions to the Group at an exercise price of HK$0.0702 per share.

The share options vest upon the commencement of the exercise period, which is determined by the Board at the date of grant and then exercisable within a period of one to two years or determined by the Board. The grantees are entitled to exercise the share options upon fulfilment of all requirements set out in the Scheme.

The movements of the Company's share options during the year are as follows:

	2011		2010	
	Number	**Weighted average exercise price per share HK$**	Number	Weighted average exercise price per share HK$
Outstanding at 1 January	**164,000,000**	**0.0702**	182,200,000	0.0702
Exercised during the year	**—**	**—**	(500,000)	0.0702
Expired during the year	**(164,000,000)**	**0.0702**	—	—
Forfeited during the year	**—**	**—**	(17,700,000)	0.0702
Outstanding at 31 December	**—**	**—**	164,000,000	0.0702
Exercisable at 31 December	**—**	**—**	80,150,000	0.0702

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

34. Share option scheme (Continued)

Company (Continued)

All share options as at 31 December 2011 and 2010 have been accounted for under HKFRS 2 Share-based payment. The exercisable periods of the share options of the Company are as follows:

	2011		2010	
	Number	**Weighted average exercise price per share HK$**	Number	Weighted average exercise price per share HK$
Exercisable period:				
1-1-2010 to 31-12-2011	—	—	80,150,000	0.0702
1-1-2011 to 31-12-2011	—	—	83,850,000	0.0702
	—	—	164,000,000	0.0702

The Company's share options outstanding at 31 December 2010 had a weighted average remaining contractual life of one year.

The fair values of options granted during 2009 of HK$5,552,000 were determined by an independent third party valuer using the Binomial Model, with modification to reflect the impact of vesting period, exit rate and exercise pattern on the option value.

Key assumptions used in the valuation of the options granted on 20 April 2009 include: (i) an expected dividend yield of 0% per annum, (ii) volatility of share price of 82% per annum determined based on the historical volatility of the Company's share prices in the past two years immediately before the date of grant of the share options, (iii) a risk free rate of interest of 1.07% per annum and (iv) that the directors, employees and other participant will exercise their share options if the share price is above the exercise price by 2 times, 1.5 times and 2 times respectively.

At 31 December 2010, the Company had 164,000,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 164,000,000 additional ordinary shares of the Company and additional share capital of approximately HK$1,640,000 and share premium of approximately HK$9,873,000 (before issue expenses).

In total, no employee compensation expense has been included in the consolidated income statement for 2011 (2010: HK$1,754,000), in relation to share options granted by the Company, which gave rise to additional equity. No liabilities were recognised due to share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

35. Reserves

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 41 and 42 of the financial statements.

Notes:

(a) Capital reserve of the Group mainly represented the reserves arising from capital reduction pursuant to a special resolution passed on 30 April 2002 and the amount previously recognised in share option reserve arising from the exercise of share options.

(b) General reserve of the Group includes capital reserve arising from acquisitions of subsidiaries in prior years and statutory reserves. Subsidiaries of the Company established in Mainland China are required to transfer 10% of their profit after tax calculated in accordance with the PRC accounting regulations to the statutory reserve until the reserve reaches 50% of their respective capital upon which any further appropriation will be at the directors' recommendation. Such reserve may be used to reduce any losses incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.

(c) During the year ended 31 December 2011, transfer to the non-controlling interest relating to the Group's acquisition of further 22% and 5% interest in two existing subsidiaries (2010: further 37.15% interest in two existing subsidiaries) is analysed below:

	Group	
	2011	2010
	HK$'000	HK$'000
Transfer to the non-controlling interest:		
Accumulated losses	**3,479**	162
Net transfer to the non-controlling interest	**3,479**	162

Company

	Share premium HK$'000	Contributed surplus (note a) HK$'000	Capital reserve (note b) HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	965,881	1,971,857	7,467	3,692	(478,373)	2,470,524
Issue of ordinary shares upon exercise of share options	30	—	13	(13)	—	30
Equity-settled share-based compensation expenses	—	—	—	1,754	—	1,754
Released on expiry/forfeiture of share options	—	—	—	(506)	506	—
Loss for the year	—	—	—	—	(108,740)	(108,740)
At 31 December 2010 and 1 January 2011	**965,911**	**1,971,857**	**7,480**	**4,927**	**(586,607)**	**2,363,568**
Released on expiry/forfeiture of share options	**—**	**—**	**—**	**(4,927)**	**4,927**	**—**
Loss for the year	**—**	**—**	**—**	**—**	**(108,177)**	**(108,177)**
At 31 December 2011	**965,911**	**1,971,857**	**7,480**	**—**	**(689,857)**	**2,255,391**

Notes:

(a) Contributed surplus of the Company includes the difference between the aggregate net asset value of the subsidiaries acquired and the nominal amount of the Company's shares issued for the acquisition and the reserves arising from capital reduction pursuant to a special resolution passed on 30 April 2002. Under the Bermuda Companies Act, the contributed surplus is distributable to the shareholders under certain circumstances.

(b) Capital reserve of the Company represents the amount of equity-settled share-based compensation previously recognised transferred from the share options reserve when the share options are exercised.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

36. Notes to the consolidated statement of cash flows

(a) Business combination — acquisition of subsidiaries

During the year ended 31 December 2010, the Group acquired several subsidiaries at a total consideration of HK$4,516,000 with total property, plant and equipment acquired of HK$1,093,000, total intangible assets excluding goodwill acquired of HK$2,199,000 and total net cash inflow of HK$1,096,000. Goodwill of total HK$55,459,000 was generated in these business combination and details are as follows:

(i) In January 2010, the Group acquired 100% equity interest in a subsidiary, 北京中企動力廣告有限公司, which engaged in corporate IT application services, for a consideration of RMB1,000,000.

Details of the assets and liabilities acquired and the corresponding goodwill were as follows:

	HK$'000
Cash consideration	1,142
Fair value of net liabilities assumed	29,954
Goodwill	31,096

The assets and liabilities arising from the acquisitions were as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment	4	5
Other intangible assets	1,796	1,120
Available-for-sale financial assets	144	1,941
Deposits, prepayments and other receivables	23,400	23,400
Cash and cash equivalents	408	408
Accruals and other payables	(55,706)	(55,706)
Net liabilities assumed	(29,954)	(28,832)

None of the receivables had been impaired and it was expected that the full contractual amounts could be collected.

The goodwill of HK$31,096,000, which is not deductible for tax purposes, comprised the acquired workforce and the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

36. Notes to the consolidated statement of cash flows (Continued)

(a) Business combination — acquisition of subsidiaries (Continued)

The net cash inflow arising from the acquisition were as follows:

	HK$'000
Purchase consideration	
— Cash consideration	1,142
— Consideration payables	(1,142)
Settled in cash	—
Cash and cash equivalents in subsidiary acquired	(408)
Cash inflow on acquisition	(408)

Since the acquisition, the subsidiaries in aggregate contributed HK$13,305,000 to the Group's turnover and a loss of HK$204,000 to the consolidated loss for the year ended 31 December 2010.

The acquisition was not material to the Group and pro forma information as if the acquisition had taken place at the beginning of the year has not been presented.

The acquisition-related costs had been expensed and were included in administrative expenses.

(ii) In June 2010, the Group acquired 100% equity interest in a subsidiary, 大地時代電影文化傳播(北京)有限公司 which held 100% equity interest of 大地晨星科技發展(北京)有限公司 and 100% equity interest of 大地時代廣告(北京)有限公司, which engaged in distributing film, producing digital filming equipment and advertising, for a consideration of RMB1,000,000.

Details of the assets and liabilities acquired and the corresponding goodwill were as follows:

	HK$'000
Cash consideration	1,142
Fair value of net liabilities assumed	13,013
Goodwill	14,155

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

36. Notes to the consolidated statement of cash flows (Continued)

(a) Business combination — acquisition of subsidiaries (Continued)

The assets and liabilities arising from the acquisitions were as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment	129	146
Other intangible assets	203	—
Trade receivables	6	6
Deposits, prepayments and other receivables	15,007	15,173
Cash and cash equivalents	567	567
Trade payables	(138)	(138)
Accruals and other payables	(28,787)	(28,787)
Net liabilities assumed	(13,013)	(13,033)

None of the receivables had been impaired and it was expected that the full contractual amounts could be collected.

The goodwill of HK$14,155,000, which is not deductible for tax purposes, comprised the acquired workforce and the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

The net cash inflow arising from the acquisition were as follows:

	HK$'000
Purchase consideration	
— Cash consideration	1,142
— Consideration payables	(1,142)
Settled in cash	—
Cash and cash equivalents in subsidiaries acquired	(567)
Cash inflow on acquisition	(567)

Since the acquisition, the subsidiaries in aggregate contributed HK$1,619,000 to the Group's turnover and a loss of HK$11,056,000 to the consolidated loss for the year ended 31 December 2010.

The acquisition was not material to the Group and pro forma information as if the acquisition had taken place at the beginning of the year has not been presented.

The acquisition-related costs had been expensed and were included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

36. Notes to the consolidated statement of cash flows (Continued)

(a) Business combination — acquisition of subsidiaries (Continued)

(iii) In June 2010, the Group acquired 100% equity interest in a subsidiary, 靠譜網絡科技(北京)有限公司, for a consideration of RMB1,000,000.

Details of the assets and liabilities acquired and the corresponding goodwill were as follows:

	HK$'000
Cash consideration	1,145
Fair value of net liabilities assumed	335
Goodwill	1,480

The assets and liabilities arising from the acquisitions were as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment	29	34
Deposits, prepayments and other receivables	15	15
Cash and cash equivalents	75	75
Trade payables	(2)	(2)
Accruals and other payables	(452)	(453)
Net liabilities assumed	(335)	(331)

None of the receivables had been impaired and it was expected that the full contractual amounts could be collected.

The goodwill of HK$1,480,000, which is not deductible for tax purposes, comprised the acquired workforce and the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

36. Notes to the consolidated statement of cash flows (Continued)

(a) Business combination — acquisition of subsidiaries (Continued)

The net cash inflow arising from the acquisition were as follows:

	HK$'000
Purchase consideration	
— Cash consideration	1,145
— Consideration payables	(1,145)
Settled in cash	—
Cash and cash equivalents in subsidiary acquired	(75)
Cash inflow on acquisition	(75)

Since the acquisition, the subsidiary contributed HK$Nil to the Group's turnover and a loss of HK$579,000 to the consolidated loss for the year ended 31 December 2010.

The acquisition was not material to the Group and pro forma information as if the acquisition had taken place at the beginning of the year has not been presented.

The acquisition-related costs had been expensed and were included in administrative expenses.

(iv) In June 2010, the Group acquired 100% equity interest in a subsidiary, 哈票網絡科技(北京)有限公司, which engaged in internet ticketing, for a consideration of RMB800,000.

Details of the assets and liabilities acquired and the corresponding goodwill were as follows:

	HK$'000
Cash consideration	987
Fair value of net liabilities assumed	7,641
Goodwill	8,628

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

36. Notes to the consolidated statement of cash flows (Continued)

(a) Business combination — acquisition of subsidiaries (Continued)

The assets and liabilities arising from the acquisitions were as follows:

	Fair value HK$'000	Acquiree's carrying amount HK$'000
Property, plant and equipment	931	921
Other intangible assets	200	—
Trade receivables	1,117	1,117
Deposits, prepayments and other receivables	8,557	8,557
Cash and cash equivalents	146	146
Trade payables	(285)	(285)
Accruals and other payables	(18,307)	(18,307)
Net liabilities assumed	(7,641)	(7,851)

None of the receivables had been impaired and it was expected that the full contractual amounts could be collected.

The goodwill of HK$8,628,000, which is not deductible for tax purposes, comprised the acquired workforce and the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

The net cash inflow arising from the acquisition were as follows:

	HK$'000
Purchase consideration	
— Cash consideration	987
— Consideration payables	(987)
Settled in cash	—
Cash and cash equivalents in subsidiaries acquired	(146)
Cash inflow on acquisition	(146)

Since the acquisition, the subsidiary contributed HK$110,000 to the Group's turnover and a loss of HK$4,060,000 to the consolidated loss for the year ended 31 December 2010.

The acquisition was not material to the Group and pro forma information as if the acquisition had taken place at the beginning of the year has not been presented.

The acquisition-related costs had been expensed and were included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

36. Notes to the consolidated statement of cash flows (Continued)

(a) Business combination — acquisition of subsidiaries (Continued)

(v) In August 2010, the Group acquired 100% equity interest in a subsidiary, Savvy Armslength Media Limited, which engaged in advertising business, for a consideration of HK$100,000.

Details of the assets and liabilities acquired and the corresponding goodwill were as follows:

	HK$'000
Cash consideration	100
Fair value of net liabilities assumed	—
Goodwill	100

The goodwill of HK$100,000, which is not deductible for tax purposes, comprised the acquired workforce and the value of expected synergies arising from the combination of acquired business with the existing operations of the Group.

The net cash inflow arising from the acquisition were as follows:

	HK$'000
Purchase consideration	
— Cash consideration	100
Settled in cash	100
Cash and cash equivalents in subsidiary acquired	—
Cash outflow on acquisition	100

Since the acquisition, the subsidiary contributed HK$Nil to the Group's turnover and consolidated loss for the year ended 31 December 2010.

The acquisition was not material to the Group and pro forma information as if the acquisition had taken place at the beginning of the year has not been presented.

The acquisition-related costs had been expensed and were included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

36. Notes to the consolidated statement of cash flows (Continued)

(b) Disposal and dissolution of subsidiaries

On 27 May 2011, a subsidiary, Rise Manor Development Limited has been dissolved.

On 19 December 2011, the Group entered into a sale and purchase agreement to dispose of 100% equity interests in subsidiary, Monthly Duowei Limited to an independent third party at a consideration of HK$1. The transaction was completed on 19 December 2011.

On 19 December 2011, the Group entered into a sale and purchase agreement to dispose of 62.85% equity interests in subsidiary, Noble Grade International Limited and its subsidiaries to an independent third party at a total consideration of HK$1. The transaction was completed on 19 December 2011.

On 19 December 2011, the Group entered into a sale and purchase agreement to dispose of 62.85% equity interests in subsidiary, CEOL and its subsidiary to an independent third party at a total consideration of HK$1. The transaction was completed on 19 December 2011.

On 21 December 2011, the Group entered into a sale and purchase agreement to dispose of 100% equity interests in subsidiary, Duowei Monthly Limited to an independent third party at a consideration of HK$1. The transaction was completed on 21 December 2011.

On 21 December 2011, the Group entered into a sale and purchase agreement to dispose of 75.15% equity interests in subsidiary, CMN and its subsidiaries to a related party, controlled by director of the Company, Mr. Yu Pun Hoi at a total consideration of HK$2. The transaction was completed on 21 December 2011.

On 28 December 2011, the Group entered into a sale and purchase agreement to dispose of 62.85% equity interests in subsidiary, Shihua and its subsidiaries to an independent third party at a total consideration of HK$1. The transaction was completed on 28 December 2011.

On 29 December 2011, the Group entered into a sale and purchase agreement to dispose of 62.85% equity interests in subsidiary, Victorious Limited and its subsidiaries to an independent third party at a total consideration of HK$100,000. The transaction was completed on 30 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

36. Notes to the consolidated statement of cash flows (Continued)

(b) Disposal and dissolution of subsidiaries (Continued)

The net assets of the above subsidiaries at the date of disposal were:

	2011 **HK$'000**	2010 HK$'000
Net assets disposed of:		
Property, plant and equipment	**5,395**	—
Intangible assets	**134,043**	6
Trade receivables	**8,087**	—
Deposits, prepayments and other receivables	**52,998**	51
Cash and cash equivalents	**13,273**	—
Trade payables	**(42,861)**	—
Other payables and accruals	**(86,991)**	—
Deferred revenue	**(44,050)**	—
Non-controlling interests	**33,854**	
Provision for tax	**(10,848)**	—
Amount due to a minority shareholder	**(600)**	—
Bank and other borrowings	**(86,388)**	—
Amounts due from group companies	**59,355**	1
	35,267	58
Exchange reserve released on disposal and dissolution	**1,940**	—
Loss on disposal and dissolution of subsidiaries	**(37,107)**	(58)
Total consideration	**100**	—

Included in total of net gain/(loss) on disposal and dissolution of subsidiaries, gain of HK$13,501,000 (2010: HK$Nil) and loss of HK$50,608,000 (2010: HK$58,000) was related to loss on disposal and dissolution of subsidiaries from discontinued operations (note 10) and continuing operations respectively.

	2011 **HK$'000**	2010 HK$'000
Satisfied by		
Cash	**100**	—
Consideration receivable included in other receivables	**—**	—
	100	—

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

36. Notes to the consolidated statement of cash flows (Continued)

(b) Disposal and dissolution of subsidiaries (Continued)

The analysis of the net cash outflow of cash and cash equivalents in respect of the disposal and dissolution of subsidiaries is as follows:

	2011 **HK$'000**	2010 HK$'000
Cash consideration received	**100**	—
Cash and cash equivalents disposed of	**(13,273)**	—
Net cash outflow on disposal	**(13,173)**	—

(c) Major non-cash transactions

During the year ended 31 December 2011, the Group had trade and other receivables of HK$39,503,000 (2010: HK$Nil) offset against the amount due to a director in accordance with the debts assignments signed among these parties.

During the year ended 31 December 2011, deposits of HK$67,225,000 (2010: HK$Nil) was reclassified to property, plant and equipment due to completion of works.

During the year ended 31 December 2011, property, plant and equipment of HK$547,000 (2010: HK$Nil) was acquired under finance leases.

37. Retirement benefit plans

Defined contribution retirement plans

The Group operates a MPF scheme and an ORSO scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees.

Subsidiaries operating in Mainland China are required to participate in a defined contribution retirement benefit plan organised by the relevant government authorities. These subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total cost charged to the consolidated income statement of HK$98,510,000 (2010: HK$83,031,000) represents contributions payable to the schemes by the Group at the rates specified in the rules of the schemes.

Contributions payable of HK$21,000 as at 31 December 2011 (2010: HK$25,000) to the MPF Scheme are included in other payables.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

38. Directors' remuneration and senior management's emoluments

(a) Directors' emoluments

Directors' emoluments and fees disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

Group

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Share-based payments HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2011					
Executive directors					
CHEN Dan	—	902	—	74	976
LIU Rong	—	601	—	75	676
WANG Gang	—	909	—	66	975
YU Pun Hoi	—	360	—	18	378
Non-executive directors					
LAM Bing Kwan	60	—	—	—	60
QIN Tian Xiang*	240	—	—	—	240
Independent non-executive directors					
HUANG Yaowen	288	—	—	—	288
Prof. JIANG Ping	360	—	—	—	360
LAU Yip Leung	120	—	—	—	120
	1,068	2,772	—	233	4,073

* Deceased on 30 March 2012

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

38. Directors' remuneration and senior management's emoluments (Continued)

(a) Directors' emoluments (Continued)

	Fees HK$'000	Basic salaries, housing, other allowances and benefits in kind HK$'000	Share-based payments HK$'000	Pension scheme contributions HK$'000	Total HK$'000
2010					
Executive directors					
CHEN Dan	—	827	69	66	962
LIU Rong	—	717	69	64	850
WANG Gang	—	867	—	63	930
YU Pun Hoi	—	360	—	18	378
Non-executive directors					
LAM Bing Kwan	—	—	30	—	30
QIN Tian Xiang	240	—	—	—	240
Independent non-executive directors					
HUANG Yaowen	274	—	—	—	274
Prof. JIANG Ping	343	—	—	—	343
LAU Yip Leung	120	—	—	—	120
	977	2,771	168	211	4,127

(b) Five highest paid individuals

The five highest paid individuals of the Group for the year included two (2010: two) directors, details of whose emoluments are set out above. The emoluments of the remaining three (2010: three) employees are as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries, other allowances and benefits in kind	**3,189**	3,168
Pension contributions	**12**	12
	3,201	3,180

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

38. Directors' remuneration and senior management's emoluments (Continued)

(b) Five highest paid individuals (Continued)

The emoluments of the five highest paid individuals, other than directors, fell within the following bands:

Emolument band	Number of highest paid individuals 2011	2010
HK$Nil–HK$1,000,000	**1**	1
HK$1,000,001–HK$1,500,000	**2**	2
	3	3

During the years ended 31 December 2011 and 31 December 2010, no emoluments were paid to any of the Company's directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors have waived or agreed to waive any emoluments in respect of the years ended 31 December 2011 and 31 December 2010.

39. Commitments

(a) Capital commitments

At 31 December 2011, the Group had outstanding commitments as follows:

	2011 HK$'000	2010 HK$'000
Contracted but not provided for in respect of:		
— construction in progress	**116,007**	144,452
— property, plant and equipment	**187,651**	240,307
	303,658	384,759

At 31 December 2011 and 31 December 2010, the Company did not have any significant capital commitments.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

39. Commitments (Continued)

(b) Operating lease commitments

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

	Land and buildings	
	2011	2010
	HK$'000	HK$'000
Within one year	**277,162**	170,266
In the second to fifth years	**1,200,986**	640,548
Over five years	**3,437,069**	1,925,315
	4,915,217	2,736,129

The Group leases a number of properties under operating leases. The leases run for an initial period of one to thirty years (2010: one to thirty years), with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords. In addition, the Group paid additional rental expenses in respect of certain operating leases which are dependent on the level of revenue achieved by particular properties.

At 31 December 2011 and 31 December 2010, the Company had no operating lease commitments as lessor or lessee.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

40. Contingent liabilities

Guarantees given in connection with credit facilities granted to:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Subsidiaries	**—**	—	**2,801,668**	3,011,162
Associates (Note)	**14,768**	13,982	**—**	—
Third parties (Note)	**65,091**	65,531	**—**	—
	79,859	79,513	**2,801,668**	3,011,162

Note:

In February 1993, a Group's associate borrowed a loan of US$5 million from a Filipino bank namely Banco de Oro-EPCI Inc. (formerly known as Equitable PCI Bank Inc.) ("EPCIB"). The loan was secured by guarantee executed by Sino-i ("EPCIB Guarantee"), a listed subsidiary of the Company, and by a share mortgage of 74,889,892 shares ("Philippines Shares") of Acesite (Philippines) Hotel Corporation Inc. ("Acesite Phils."). Due to the pending litigation as mentioned in note 42(a), the Group cannot ascertain the fair value of the guarantee in respect of the loan borrowed by the associate.

In addition to the EPCIB Guarantee, Sino-i executed another guarantee in favour of Singapore Branch of Industrial and Commercial Bank of China ("ICBC") in respect of a loan facility of US$15,000,000 ("ICBC Loan") made available to Acesite Phils. in March 1995. Resulting from the purported foreclosure of the Philippines Shares, Acesite Phils. is now controlled by a third party. The Group does not have updated information of the outstanding balance of the indebtedness under the ICBC Loan ("ICBC Indebtedness"), therefore, the fair value of the guarantee for ICBC Indebtedness cannot be ascertained.

41. Credit facilities

Except as disclosed in note 29 and note 31, as at 31 December 2011 and 31 December 2010, the Group's credit facilities were secured by the following:

(a) charge over interest in leasehold land (note 16) with a net carrying value of approximately HK$15,021,000 (2010: HK$Nil);

(b) charge over construction in progress (note 14) with a net carrying value of approximately HK$360,455,000 (2010: HK$Nil);

(c) charge over certain properties under development and completed properties held for sale (note 22) with a total carrying value of approximately HK$1,587,491,000 (2010: approximately HK$1,495,192,000);

(d) personal guarantee given by a director;

(e) charge over financial assets at fair value through profit or loss (note 23) with a net carrying value of approximately HK$235,000 (2010: approximately HK$999,000);

(f) pledge of 11,162,999,000 (2010: 962,999,000) shares in Sino-i held by the Company indirectly in favour of certain securities brokers and a financial institution (2010: certain securities brokers), the total of which represents approximately 89.19% (2010: 7.69%) of total interest of the Company in Sino-i. The market value of such listed shares as at 31 December 2011 was approximately HK$435,357,000 (2010: approximately HK$51,039,000);

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

41. Credit facilities (Continued)

(g) pledge of certain bank deposits (2010: certain debts securities) for standby letters of credit issued by a financial institution for a maximum amount not exceeding US$30,150,000 (2010: US$12,625,000);

(h) pledge of certain bank deposits (note 25) of approximately HK$272,492,000 (2010: approximately HK$37,446,000); and

(i) charge over certain intangible assets (note 21) with net carrying value of approximately HK$19,971,000 (2010: HK$Nil).

42. Pending litigations

(a) In respect of the purported sale of Philippines Shares, which were mortgaged by Acesite Limited ("Acesite"), by EPCIB, to Waterfront Philippines Inc. ("Waterfront"), a Filipino company, in February 2003, Acesite, a former subsidiary of Sino-i; Evallon Investment Limited, a wholly-owned subsidiary of Sino-i; Mr. Yu, the chairman and executive director of both the Company and Sino-i and, South Port Development Limited, a former wholly-owned subsidiary of Sino-i as first, second, third and fourth plaintiff respectively issued a claim against EPCIB and Waterfront, on the grounds that the purported sale of the Philippines Shares was unlawful as such sale was in breach of the terms of the mortgage; in breach of a compromise agreement reached in January 2003; and in other breaches, for damages; further or other relief; interest and costs and etc. in February 2006 under High Court Number of HCCL 5 of 2006 ("1st Case"). In May 2007, Acesite Phils. filed a claim against Mr. Yu; Mr. Lam Bing Kwan, a non-executive director of both the Company and Sino-i; Sino-i; and Acesite for damages; further or other relief; interest and costs and etc. under High Court Number of HCA498 of 2007 ("2nd Case"). The defendants in both cases have filed their defences respectively to the Court. Acesite Phils. filed a consent order dated 16 August 2011 to the High Court for dismissal of the 2nd Case. The 1st Case is still in progress and no date has been fixed for trial.

(b) Dadi Media, a wholly-owned subsidiary of Sino-i, as plaintiff, issued a claim against two minority shareholders of CE Dongli Technology Group Company Limited, a subsidiary of Sino-i, for the sum of HK$27,750,498 together with interest thereon and costs in May 2004 under the High Court Number of HCA1130 of 2004. The two defendants filed a defence and counterclaim in June 2004 and then an amended defence and counterclaim in September 2004. The counterclaim was further amended and re-amended. In December 2004, the two defendants issued a claim against CE ASP, a wholly-owned subsidiary of Dadi Media, for (1) the sum of HK$806,250; (2) an award of compensation pursuant to section 32P of the Employment Ordinance; (3) the sum of HK$13,000; and (4) interest and costs under High Court Number HCA2892 of 2004. CE ASP filed a defence in March 2005. These two cases are still in progress and no trial date has been fixed.

(c) In May 2007, a company incorporated in China, namely 深圳市益田房地產集團股份有限公司 (Shenzhen Yitian Real Estate Group Company Limited) ("Yitian") issued a pleading ((2007) 深中法民五初字第142號) ("Case 1") to 深圳市金益田實業發展有限公司 (Shenzhen City Jingyitian Industrial Development Company Limited) ("Jingyitian"), a wholly-owned subsidiary of the Company, requesting for the court's judgement including (i) nullity of a letter of undertaking entered into between Yitian and Jingyitian, dated 2 September 1999; and (ii) refund of HK$41 million together with interest to Jingyitian, which was the total consideration fully paid by Jingyitian to Yitian under the letter of undertaking for assigning all rights and interests Yitian had in two pieces of land sites bearing numbers of K708-2 and K708-3 which subsequently became part of the total area for the development of a large-scale property project namely "The Peninsula" in Shekou, Shenzhen, and for surrendering its rights in property development in the above mentioned land sites and in sharing of any profits to be derived therefrom. Jingyitian has subsequently filed its defence to the court.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

42. Pending litigations (Continued)

In January 2009, LWD, LWI and 深圳南海益田置業有限公司 (Shenzhen Nanhai Yitian Realty Company Limited) ("Nanhai Yitian") received another pleading ((2008) 粵高法民初四字第一號) ("Case 2") from Yitian. Yitian alleged that it was rejected to participate to the development of the second phase of "The Peninsula" subsequent to the completion of cooperation in development of the first phase, and claimed for damages of RMB396,356,182 resulting from the alleged breach of a cooperation agreement. LWD and LWI directly and indirectly hold 100% of Nanhai Yitian, and LWD and LWI are the wholly-owned subsidiaries of the Company. LWD, LWI and Nanhai Yitian have subsequently filed their defences to the court. In early February 2010, LWD, LWI and Nanhai Yitian received summons from High People's Court of Guangdong Province ("High People's Court") for cross examination of evidences between the plaintiff and defendants on 26 February 2010, and received another summons for trial on 10 March 2010. Upon the presentation of lawyers acting for the plaintiff and defendants respectively in the first trial, no further hearing has been fixed by the High Peoples' Court.

In March 2012, Yitian filed a written application to the Intermediate People's Court of Shenzhen City ("Intermediate People's Court") for dismissal of the Case 1, and subsequently the Intermediate People's Court granted its leave to Yitian that the Case 1 be dismissed and Yitian shall bear the cost of RMB123,400 on 13 March 2012.

The Group, after discussion with legal advisors, considered that it would not incur a material outflow of resources as a result of the above matters.

43. Related party transactions

Remuneration for key management personnel represents amounts paid to the Company's directors as disclosed in note 38.

Except as disclosed elsewhere in these financial statements, there was no material related party transaction carried out during the year.

44. Financial risk management and fair value measurements

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest risk and other price risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Board. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. The Board from time to time identifies ways to access financial markets and monitors the Group's financial risk exposures.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

44. Financial risk management and fair value measurements (Continued)

44.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale financial assets	**479**	473	**—**	—
Financial assets at fair value through profit or loss	**1,684**	212,506	**—**	—
Loans and receivables:				
— Trade receivables	**41,988**	137,847	**—**	—
— Other receivables	**1,121,185**	669,924	**127**	126
— Amounts due from subsidiaries	**—**	—	**5,020,620**	5,728,653
— Pledged bank deposits	**272,492**	37,446	**—**	—
— Amount due from an associate	**530**	5,153	**—**	—
Cash and cash equivalents	**138,675**	397,405	**9,314**	16,197
	1,577,033	1,460,754	**5,030,061**	5,744,976
Financial liabilities				
Financial liabilities measured at amortised cost:				
— Trade payables	**465,255**	345,475	**—**	—
— Other payables and accruals	**803,685**	584,811	**13,451**	8,155
— Amount due to a director	**124,309**	107,046	**112,515**	71,387
— Amounts due to subsidiaries	**—**	—	**302,281**	982,504
— Loan from subsidiaries	**—**	—	**1,357,377**	1,634,551
— Amounts due to shareholders	**5,006**	5,006	**—**	—
— Amount due to a minority shareholder	**—**	495	**—**	—
— Amount due to an associate	**5,502**	5,505	**—**	—
— Amount due to a former subsidiary	**59,035**	—	**111,628**	—
— Bank and other borrowings	**2,373,380**	1,075,615	**191,081**	—
— Finance lease liabilities	**474**	50	**34**	50
— Finance from third parties	**2,543,762**	2,834,233	**—**	—
	6,380,408	4,958,236	**2,088,367**	2,696,647

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

44. Financial risk management and fair value measurements (Continued)

44.2 Foreign currency risk

Transactions in foreign currencies and the Group's risk management policies

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 has exposure to some of its borrowings which is denominated in United States Dollars (US$) whereas the Group's operations and cash flows are in Reminbi. The exposure to foreign exchange risk is shown as below.

The policy to manage foreign currency risk has been followed by the Group since prior years and is considered to be effective.

Summary of exposure

US$ denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets at fair value through profit or loss	**—**	77,626	**—**	—
Cash and cash equivalents and pledged bank deposits	**5,602**	63,062	**4,354**	—
Other payables	**(93,114)**	(63,233)	**(6,986)**	—
Finance from third parties	**(2,543,762)**	(2,834,233)	**—**	—
Bank and other borrowings	**(418,241)**	—	**(191,081)**	—
Net exposure arising from recognised financial assets and financial liabilities	**(3,049,515)**	(2,756,778)	**(193,713)**	—

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

44. Financial risk management and fair value measurements (Continued)

44.2 Foreign currency risk (Continued)

Sensitivity analysis

The following table illustrate the sensitivity of the Group's and the Company's loss for the year and accumulated losses in regards to a 0.5% (2010: 0.5%) strengthening/(weakening) of US$ against RMB at the reporting date and that all other variables in particular interest rates remain constant.

Group

	2011			2010		
	Changes in foreign exchange rates	(Increase)/ Decrease in loss for the year HK$'000	(Decrease)/ Increase in equity HK$'000	Changes in foreign exchange rates	(Increase)/ Decrease in loss for the year HK$'000	(Decrease)/ Increase in equity HK$'000
US$/RMB	+0.5%	(15,248)	(15,248)	+0.5%	(13,784)	(13,784)
	-0.5%	15,248	15,248	-0.5%	13,784	13,784

Company

	2011			2010		
	Changes in foreign exchange rates	(Increase)/ Decrease in loss for the year HK$'000	(Decrease)/ Increase in equity HK$'000	Changes in foreign exchange rates	(Increase)/ Decrease in loss for the year HK$'000	(Decrease)/ Increase in equity HK$'000
US$/RMB	+0.5%	(969)	(969)	+0.5%	—	—
	-0.5%	969	969	-0.5%	—	—

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date.

44.3 Cash flow interest rate risk

The Group is exposed to interest rate risk through the impact of interest rate changes on interest bearing bank and other borrowings, cash and cash equivalents and pledged bank deposits carrying interests at variable rates. Bank and other borrowings, cash and cash equivalents and pledged bank deposits carried at variable rates expose the Group to cash flow interest rate risk. The Group will review whether bank and other borrowings bearing fixed or floating rates should be drawn from time to time with reference to the trend of changes in interest rates. The interest rates and repayment terms of bank and other borrowings, and cash and cash equivalents and pledged bank deposits of the Group are disclosed in the financial statements. The Group currently does not have an interest rate hedging policy. However, the directors monitor interest rate change exposure and will consider hedging significant interest rate exchange exposure should the need arise.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

44. Financial risk management and fair value measurements (Continued)

44.3 Cash flow interest rate risk (Continued)

Cash flow interest rate risk sensitivity

At 31 December 2011, the Group was exposed to changes in market interest rates through its bank and other borrowings, cash and cash equivalents and pledged bank deposits, which are subject to variable interest rates. The following table illustrates the sensitivity of the loss for the year and accumulated losses to a change in interest rates of +50 basis points and -50 basis points (2010: +50 basis points and -50 basis points), with effect from the beginning of the year. The calculations are based on the Group's and the Company's bank and other borrowings and bank balance held at each reporting date. All other variables are held constant.

	Group		**Company**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
If interest rates were 50 basis points (2010: 50 basis points) higher (Increase)/Decrease in loss for the year	**(16,586)**	(12,282)	**47**	81
If interest rates were 50 basis points (2010: 50 basis points) lower Decrease/(Increase) in loss for the year	**16,586**	12,282	**(47)**	(81)

44.4 Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is exposed to change in market prices in respect of its investments in listed equity securities classified as financial assets at fair value through profit and loss.

To manage its market price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by Board. The Group's listed investments are listed on the Stock Exchange of Hong Kong, Shenzhen and Shanghai, Mainland China. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the index and other industry indicators, as well as the Group's liquidity needs. Investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The policies to manage other price risk have been followed by the Group since prior years and are considered to be effective.

Equity price sensitivity

For listed equity securities, an average volatility of 11% has been observed in 2011 (2010: 15%). If the quoted price for the Group's listed equity securities existing as at 31 December 2011 increased or decreased by that amount, loss for the year and accumulated losses would have decreased or increased by HK$182,000 (2010: HK$19,787,000) in respect of listed equity securities classified as held for trading. The assumed volatilities of listed securities represent the management's assessment of a reasonably possible change in these security prices over the next twelve month period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

44. Financial risk management and fair value measurements (Continued)

44.5 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. As at 31 December 2011, the Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligation and financial guarantees provided by the Group is arising from:

— carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

— the amount of contingent liabilities in relation to the financial guarantees provided by the Group as disclosed in note 40.

In order to minimise the credit risk, the management of the Group has formulated a defined fixed credit policy and delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable regularly at each reporting date to ensure that adequate impairment losses are made for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and 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 24 and note 20, respectively.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

44. Financial risk management and fair value measurements (Continued)

44.6 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the ability to close-out market positions. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk exposure.

As mentioned in note 2.1, the Company's going concern is dependent upon the ability to discharge its Short Term Obligation, which is effectively secured by certain land included in properties under development, by either restructuring the indebtedness with the third party financier or obtaining the facility to be provided by the banks. The directors are of the opinion that the Group will have sufficient cash resources to satisfy its future working capital and financing requirements. Accordingly, the financial statements have been prepared on a going concern basis.

The following table details the remaining contractual maturities at the reporting date of the Group's non-derivative 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:

Group

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2011					
Trade payables	465,255	465,255	465,255	—	—
Other payables and accruals	803,685	803,685	803,685	—	—
Amount due to a director	124,309	124,309	124,309	—	—
Amounts due to shareholders	5,006	5,006	5,006	—	—
Amount due to an associate	5,502	5,502	5,502	—	—
Bank and other borrowings	2,373,380	2,587,814	1,233,653	824,217	529,944
Amount due to a former subsidiary	59,035	59,035	59,035	—	—
Finance lease liabilities	474	522	141	141	240
Finance from third parties	2,543,762	2,771,944	2,771,944	—	—
	6,380,408	6,823,072	5,468,530	824,358	530,184
Financial guarantees issued					
Maximum amount guaranteed	—	79,859	79,859	—	—

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

44. Financial risk management and fair value measurements (Continued)

44.6 Liquidity risk (Continued)

Group (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2010					
Trade payables	345,475	345,475	345,475	—	—
Other payables and accruals	584,811	584,811	584,811	—	—
Amount due to a director	107,046	107,046	107,046	—	—
Amounts due to shareholders	5,006	5,006	5,006	—	—
Amount due to an associate	5,505	5,505	5,505	—	—
Bank and other borrowings	1,075,615	1,181,536	342,616	488,219	350,701
Amount due to a minority shareholder	495	495	495	—	—
Finance lease liabilities	50	58	18	18	22
Finance from third parties	2,834,233	3,106,886	3,106,886	—	—
	4,958,236	5,336,818	4,497,858	488,237	350,723
Financial guarantees issued					
Maximum amount guaranteed	—	79,513	79,513	—	—

For term loans which contain a repayment on demand clause that can be exercised at the bank's sole discretion, the analysis above shows the cash outflows based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

44. Financial risk management and fair value measurements (Continued)

44.6 Liquidity risk (Continued)

Group (Continued)

Taking into account the Group's financial position the directors of the Company do not consider it probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled payment dates set out in the loan agreements which are summarised in the table below:

Group	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2011	**2,373,380**	**2,596,971**	**1,013,934**	**1,053,093**	**529,944**
As at 31 December 2010	1,075,615	1,181,536	342,616	488,219	350,701

The following table details the remaining contractual maturities at the reporting date of the Company's non-derivative 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 Company can be required to pay:

Company

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2011					
Other payables and accruals	**13,451**	**13,451**	**13,451**	**—**	**—**
Amounts due to subsidiaries	**302,281**	**302,281**	**302,281**	**—**	**—**
Amount due to a director	**112,515**	**112,515**	**112,515**	**—**	**—**
Amount due to a former subsidiary	**111,628**	**111,628**	**111,628**	**—**	**—**
Finance lease liabilities	**34**	**40**	**18**	**18**	**4**
Loan from subsidiaries	**1,357,377**	**1,475,596**	**—**	**1,475,596**	**—**
Bank and other borrowings	**191,081**	**191,912**	**191,912**	**—**	**—**
	2,088,367	**2,207,423**	**731,805**	**1,475,614**	**4**
Financial guarantees issued Maximum amount guaranteed	**—**	**2,801,668**	**2,801,668**	**—**	**—**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

44. Financial risk management and fair value measurements (Continued)

44.6 Liquidity risk (Continued)

Company (Continued)

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
As at 31 December 2010					
Other payables and accruals	8,155	8,155	8,155	—	—
Amounts due to subsidiaries	982,504	982,504	982,504	—	—
Amount due to a director	71,387	71,387	71,387	—	—
Finance lease liabilities	50	58	18	18	22
Loan from subsidiaries	1,634,551	1,679,538	1,679,538	—	—
	2,696,647	2,741,642	2,741,602	18	22
Financial guarantees issued					
Maximum amount guaranteed	—	3,011,162	3,011,162	—	—

44.7 Fair value

The carrying amounts of the following financial assets and financial liabilities approximate their fair value as all of them are in short term nature: pledged bank deposits, cash and cash equivalents, trade receivables and payables, other receivables and payables, current portion of bank and other borrowings, loan from/amounts due from/(to) a director/shareholders/a minority shareholder/subsidiaries/an associate/a former subsidiary. Analysis of the interest rate and carrying amounts of borrowings are presented in note 29 to the financial statements.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

— Level 1: quoted price (unadjusted) in active markets for identical assets and liabilities;

— Level 2: inputs other than quoted prices included within Level 1 that are observable of the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirely is based on the lowest level of input that is significant to the fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

44. Financial risk management and fair value measurements (Continued)

44.7 Fair value (Continued)

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
As at 31 December 2011				
Assets				
Available-for-sale financial assets	**—**	**324**	**155**	**479**
Listed securities held for trading	**1,684**	**—**	**—**	**1,684**
Total fair values	**1,684**	**324**	**155**	**2,163**

	Group			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2010				
Assets				
Available-for-sale financial assets	—	324	149	473
Listed securities held for trading	134,880	—	—	134,880
Unlisted securities held for trading	—	77,626	—	77,626
Total fair values	134,880	77,950	149	212,979

There have been no significant transfers between level 1, 2 and 3 in the reporting period. The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

45. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders value.

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 using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt is calculated as the sum of bank and other borrowings, finance from third parties, finance lease liabilities and loan from subsidiaries less the sum of pledged bank deposits, and cash and cash equivalents as shown in the statements of financial position. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratios as at the reporting date were as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Bank and other borrowings	**1,125,110**	280,137	**191,081**	—
Finance lease liabilities	**120**	16	**16**	16
Finance from third parties	**2,543,762**	2,834,233	**—**	—
Loan from subsidiaries	**—**	—	**—**	1,634,551
Non-current liabilities				
Loan from subsidiaries	**—**	—	**1,357,377**	—
Bank and other borrowings	**1,248,270**	795,478	**—**	—
Finance lease liabilities	**354**	34	**18**	34
Total debt	**4,917,616**	3,909,898	**1,548,492**	1,634,601
Less: Pledged bank deposits	**(272,492)**	(37,446)	**—**	—
Cash and cash equivalents	**(138,675)**	(397,405)	**(9,314)**	(16,197)
Net debt	**4,506,449**	3,475,047	**1,539,178**	1,618,404
Total equity	**4,187,520**	4,520,220	**2,941,846**	3,050,023
Total equity and net debt	**8,693,969**	7,995,267	**4,481,024**	4,668,427
Gearing ratio	**51.83%**	43.46%	**34.35%**	34.67%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

46. Comparative figures

The Company has made various presentational change as set out below which has been applied retrospectively.

(i) The amount due to a director is now classified under cash flows from financing activities of continuing and discontinued operations instead of cash flows from operating activities of continuing and discontinued operations to reflect better presentation of the cash flows.

(ii) The finance costs on finance from third parties paid are now classified under cash flows from operating activities of continuing and discontinued operations instead of grouped into repayments of finance from third parties under cash flows from financing activities of continuing and discontinued operations to reflect better presentation of cash flows.

(iii) The comparative figures of sensitivity analysis for foreign currency risk and cash flow interest rate risk sensitivity have been re-presented to consistent with current year analysis.

LIST OF PROPERTIES

Properties under development

Location	Interest attributable to the Group in percentage	Floor area on completion in sq.m. (approx.)	Type of development	Expected year of completion	Stage of development
A residential development located at Guanghu Gonglu, Huadu District, Guangdong Province, the PRC	100	1,024,000	Commercial/ residential	2016	Construction in progress
Reclaimed site located at Liu Wan, Shekou, Shenzhen, Guangdong Province, the PRC	100	549,000	Shopping arcade/ residential/hotel/ recreational facilities	2015	Construction in progress

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 as follows:

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue/Turnover (continuing and discontinued operations)	**2,365,811**	1,963,454	4,008,375	494,861	673,031
(Loss)/Profit for the year	**(586,000)**	(428,563)	138,893	(534,763)	21,537
Non-controlling interests	**91,254**	46,990	61,940	42,525	(36,107)
(Loss)/Profit attributable to the owners of the Company	**(494,746)**	(381,573)	200,833	(492,238)	(14,570)
Total assets	**11,820,198**	10,557,210	10,374,337	10,699,563	8,449,650
Total liabilities	**(7,632,678)**	(6,036,990)	(5,595,481)	(6,041,792)	(3,405,768)
	4,187,520	4,520,220	4,778,856	4,657,771	5,043,882

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