South China Land Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 8155

2011 ANNUAL REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Mr. Ng Yuk Yeung, Paul (*Chief Executive Officer*)
Mr. Richard Howard Gorges
Ms. Cheung Choi Ngor
Mr. Ng Yuk Fung, Peter

Non-executive Directors

Ms. Ng Yuk Mui, Jessica
Dr. Lo Wing Yan, William, J.P.

Independent Non-executive Directors

Mr. Cheng Yuk Wo
Ms. Pong Oi Lan, Scarlett, J.P.
Mr. So, George Siu Ming

COMPLIANCE OFFICER

Ms. Cheung Choi Ngor

COMPANY SECRETARY

Mr. Fung Nam Shan ACCA

AUTHORISED REPRESENTATIVES

Ms. Cheung Choi Ngor
Mr. Fung Nam Shan

AUDIT COMMITTEE

Mr. Cheng Yuk Wo (*Committee Chairman*)
Dr. Lo Wing Yan, William, J.P.
Ms. Pong Oi Lan, Scarlett, J.P.
Mr. So, George Siu Ming

REMUNERATION COMMITTEE

Dr. Lo Wing Yan, William, J.P. (*Committee Chairman*)
Mr. Cheng Yuk Wo
Ms. Pong Oi Lan, Scarlett, J.P.
Mr. So, George Siu Ming

AUDITOR

BDO Limited

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Chong Hing Bank Limited
The Bank of East Asia (China) Limited
Agricultural Bank of China Limited

REGISTERED OFFICE

Scotia Centre,
4th Floor P.O. Box 2804
George Town, Grand Cayman
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P. O. Box 609
Grand Cayman KY1-1107
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

STOCK CODE

8155

WEBSITE OF THE COMPANY

www.scland.co

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Land Limited (the "Company") and its subsidiaries (together "the Group") for the year ended 31 December 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a profit attributable to the Company for the year ended 31 December 2011 amounting to HK$23.17 million (31 December 2010: profit of HK$713.60 million). The profit is attributable for the recognition of an increase in market value of the ***Fortuna Plaza***.

FINANCIAL REVIEW

Net assets, the equivalent of shareholders' fund, continued to grow and increased to HK$2,316.75 million (31 December 2010: HK$2,227.34 million), reflecting the solid investment value to shareholders.

The Group's revenue for the year ended 31 December 2011, being the leasing and management fee income received from ***Fortuna Plaza***'s initial operation, was HK$5.18 million (31 December 2010: HK$844,000). The significant increase resulted from, amongst others, a steady growth of leasing income generated from quality tenants recruited during the year.

Increase in fair value of investment properties for the year ended 31 December 2011 was HK$141.59 million (31 December 2010: HK$1,269.12 million). Contrary to the general market conditions with the drop in rate of investment property appreciation, the decent appreciation in fair value reflected our Group's investments in premium property market.

During the year under review, the administrative and other operating expenses were HK$33.74 million (31 December 2010: HK$35.27 million).

Finance costs totaling HK$39.37 million represented interest expenses in relation to bank borrowings, loans from shareholders and loan from a related company (31 December 2010: HK$11.60 million). Interests of all the bank borrowings, equivalent to HK$26.78 million for the year ended 31 December 2010, were wholly capitalised on the project of ***Fortuna Plaza*** as it was under construction. However, the same was charged to the income statement for the year ended 31 December 2011 upon its completion and commencement of initial operations and more finance costs were incurred in this year accordingly.

BUSINESS REVIEW

Property Investment and Development

Despite the slow market growth in developed countries, China's economy continued to expand in 2011 albeit with a slower rate. The effect of this year's tightened monetary policy, a slowdown in exports under the threat of Yuan's appreciation and the debt crisis in the Euro zone are expected to delay the growth of the world's second largest economy in 2012. The PRC government passed the 12th Five-Year Plan in 2011, which seeks to address more sustainable growth by prioritizing more equal wealth distribution, increasing domestic consumption and improving global economy.

Due to the ongoing home purchase restrictions within the second ring road of the city, the Shenyang property market was characterized by a wait-and-see sentiment from buyers and dampened sales during the forth quarter of 2011.

The Shenyang prime retail market remained buoyant in the fourth quarter of 2011. With no new prime projects opened, average vacancy dropped by 2.1% to 16.7%. The market continued to strongly demand for prime space by international retailers.

Shenyang property projects

Fortuna Plaza, a shopping complex of gross floor area of over 110,000 square meters in Shenyang, is our key investment in the PRC. The profit before income tax of this segment is HK$68.44 million for the year ended 31 December 2011.

The leasing and management fee income of HK$5.18 million to the Group's revenue for the year ended 31 December 2011 was contributed.

With regards to the Dadong District (大東區) property development project with a site area of 44,916 square meters, it is the management's intention to build a shopping complex to house a diversified range of entertainment and recreational facilities, a wide variety of fine dining restaurants and fashionable retail stores. The development of the land is planned to be divided into two phases and the first phase on the southern lot with site area of 11,138 square meters out of total site area of 44,916 square meters is in the process of relocation and demolition. As of 31 December 2011, the Group paid approximately HK$340.42 million as the relocation compensation to the local government for the first phase development. The local government has started up the relocation plan and the construction work for foundation would be kicked off in the third quarter of 2012.

For the property development project in Huanggu District (皇姑區) with a site area of approximately 67,000 square meters, the total consideration was approximately HK$1,449 million and approximately HK$289.95 million has been paid. It is the Group's intention to build a multi-purpose development with luxury residential flats, A-grade offices and an upscale shopping mall. During the year, we negotiated with local government for the timetable of relocation and construction. As planned, the relocation project shall be kicked off at the beginning of 2013.

Cangzhou/Hebei property projects

The construction work of phase one of Zhongjie (中捷) relocation and redevelopment project was completed. The development area of phase one is approximately 6,000 square meters and there remains an additional 130,000 square meters in the vicinity which may become available to the Group for redevelopment. Construction works for block 4 of phase two of Zhongjie (中捷) relocation and redevelopment project commenced in 2011 and is expected to be completed in 2012. The Group is currently discussing with the local government on details of the relocation policies.

The Group is involved in the development of a new town which is situated about 15 kilometers east of Cangzhou City (滄州市), 60 kilometers from Huanghua Port (黃驊港), 120 kilometers from Tianjin and 220 kilometers from Beijing. Huanghua Port is within the Tianjin-Bohai Coastal Economic Development Area (天津渤海沿海經濟開發區). The new town has been selected by the local authority as a strategic location for the development of the area and will be the center of all the government offices of Cang County (滄縣). The site covers a total area of about 24,000 mu, of which about 8,800 mu is reserved for industrial use and about 6,000 mu is reserved for commercial/residential use. The Group's estimated cost for the infrastructure construction would be in the region of about RMB 1 billion. The Group is discussing with the local government to obtain the permit for construction of road infrastructure and the local government is now processing the procedures for their internal land tendering. The management believes that, with the continuous growth of the economy of Mainland China, the Cangzhou City (滄州市) project has an excellent investment potential.

The Group is involved in an Urban Complex Development Project which includes the development of commercial, financial services, entertainment, office and residential areas in Huanghua New City (黃驊新城). The site covers a total area of about 457 mu and the total investment will be RMB1.6 billion. The site is situated in the northwest of Jinguang Lake (景觀湖) in the centre of Huanghua New City (黃驊新城). According to the master development plan of Huanghua New City (黃驊新城), major development for the site will include offices headquarters, mega shopping malls, entertainment business area and A-grade residential towers. The local government approved our submitted design and planning of the city outlays and they are preparing the procedure for land tendering and registration according to aforesaid agreement.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2011, the Group's operation was financed by internal resources, banking facilities and loans from shareholders and a related company. The Board is of the opinion that, after taking into account these available resources, the Group has sufficient working capital for its present requirements.

As at 31 December 2011, the net current assets of the Group were HK$601.39 million (31 December 2010: net current liabilities of HK$464.30 million). The Board considers that the Group has sufficient resources and supports from shareholders and banking facilities to continue its operation for the foreseeable future.

As at 31 December 2011, the gearing ratio of the Group was 50.5% (31 December 2010: 41.1%). The gearing ratio is computed on comparing the Group's total bank borrowings, loans from shareholders and a related company of HK$1,169.94 million to the Group's equity of HK$2,316.75 million.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group did not make any material acquisition or disposal during the year ended 31 December 2011.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

During the year ended 31 December 2011, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2011, the Group had pledged certain investment properties and bank deposits of a subsidiary to secure banking facilities and did not have any contingent liabilities.

EMPLOYEES

As at 31 December 2011, the total number of employees of the Group was 65 (2010: 192). Employees' cost (including Directors' emoluments) amounted to HK$26.56 million for the year (2010: HK33.12 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance and provident fund are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. An employee share option scheme was adopted by the Company on 24 June 2002 and became effective on 18 July 2002.

PROSPECTS

The China government is expected to begin easing its monetary policy in 2012 in response to a probable slowdown in both the domestic and global economy. Retail sales across the country continued to record rapid growth which encourages international retailers to expand aggressively in the second tier cities in 2012.

To be more focused on the property development, in 2011, the Group, as the Grantor, entered into the Agreement with SCC, as the Grantee, for the exclusive right to manage the ***Fortuna Plaza***, which is restricted to the use for shopping mall and related operation. The entering into of the Agreement provides the Group with guaranteed income and securing Grantee's focus to further develop the ***Fortuna Plaza*** into a reputable shopping mall in Shenyang and, at the same time, allowing the Group to allocate more management time and resources to focus on operation of other investment property projects in Shenyang.

For the property development project in the Dadong District of Shenyang, the relocation of existing residents in the southern Dadong District is in progress and is expected to be completed in the second quarter of 2012, and the construction of foundation works will be kicked off afterwards. On the first phase development in the southern Dadong District, we plan to develop a complex comprising a commercial retail podium including entertainment and dinning, residential, and basement shopping mall and car parking spaces, making up a total of approximately 182,000 square meters. The relocation for the second phase development of northern Dadong District will start in the first quarter of 2013. The northern lot with site area of 28,600 square meters is planned to be developed into a shopping mall, residential and apartment towers with a gross floor area of 380,000 square meters. The development will serve as the landmark development of the Group in the region in addition to ***Fortuna Plaza***.

For the property development project in the Huanggu District of Shenyang, we plan to develop a complex comprising a mega shopping mall, A-grade offices, serviced apartments and residential towers of total gross floor areas of approximately 1,000,000 square meters. The Shenyang Government will be responsible for the relocation of those existing residents on the site. The Group intends to create a landmark in Shenyang's third commercial center. The new development aspires to enhance the proposed Chang Jiang pedestrian shopping street (長江步行購物街), the third largest commercial center in Shenyang and one of the most important lifestyle shopping districts, by constructing connections by way of roads, streets, footpaths to the existing developments. The brisk development in tourism, entertainment and financial services in Shenyang fits the need for creating a new center point in the region and providing additional recreational facilities to its neighborhood. The project is split into two phases and relocation of existing residents in the southern Huanggu District of Shenyang is planned to commence in the first quarter of 2013. We are in the process of negotiation with the local government for the timeframe of the relevant execution plan.

In Hebei, our current land redevelopment projects comprise the Zhongjie (中捷) and Nandagang (南大港) projects. The progress of the sales procedures and the preparation of legal documentation of the first phase's property in Zhongjie (中捷) are at the final stage and we are confident that the project will start to bring in revenue to the Group in the near future. The Nandagang (南大港) project involves around 620,000 square meters (930 mu) of site area with the first phase of around 50,000 square meters (75 mu) which is undergoing design submission with the local government. Notwithstanding higher relocation requirements and rising construction costs, we expect the profitability per square metre of the phase two developments to improve as local sales prices of property have been rising in the past two years.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated service.

Ng Hung Sang
Chairman

Hong Kong, 20 March 2012

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 62, is an Executive Director and the Chairman of the Company. Mr. Ng is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also an executive director and the Chairman of South China Holdings Limited, South China Financial Holdings Limited and South China (China) Limited. He holds a Master degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. Mr. Ng was appointed as a Director of the Company on 28 January 2002. Mr. Ng is the father of Ms. Ng Yuk Mui, Jessica, a Non-executive Director of the Company, Mr. Ng Yuk Fung, Peter, an Executive Director of the Company and Mr. Ng Yuk Yeung, Paul, an Executive Director and the Chief Executive Officer of the Company.

Mr. Ng Yuk Yeung, Paul, aged 30, is an Executive Director and the Chief Executive Officer of the Company. He is also an executive director and the vice-chairman of South China Financial Holdings Limited. Mr. Ng graduated in law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. Mr. Ng was appointed as a Director of the Company in 9 October 2003. He is the son of Mr. Ng Hung Sang, an Executive Director and the Chairman of the Company, and is the brother of Ms. Ng Yuk Mui, Jessica, a Non-Executive Director of the Company, and Mr. Ng Yuk Fung, Peter, an Executive Director of the Company.

Mr. Richard Howard Gorges, aged 68, is an Executive Director of the Company. He is also an executive director and a vice-chairman of South China (China) Limited and South China Financial Holdings Limited, and is an executive director of South China Holdings Limited. He holds a Master degree in Law from University of Cambridge in the United Kingdom. Mr. Gorges was appointed as a Director of the Company on 7 January 2009.

Ms. Cheung Choi Ngor, aged 58, is an Executive Director, the Compliance Officer and an Authorised Representative of the Company. She is also an executive director, a vice-chairman and chief executive officer of South China (China) Limited, an executive director and a vice-chairman of South China Financial Holdings Limited, and an executive director of South China Holdings Limited. She holds a Master degree in Business Administration from University of Illinois in the United States of America. Ms. Cheung is a member of National Committee of the Chinese People's Political Consultative Conference. Ms. Cheung was appointed as a Director of the Company on 7 January 2009.

Mr. Ng Yuk Fung, Peter, aged 31, is an Executive Director of the Company. He is also an executive director of South China Holdings Limited and South China (China) Limited. Mr. Ng holds a bachelor's degree in law from King's College London, University of London in the United Kingdom. He is an associate member of the Chartered Institute of Management Accountants and a member of the Nanjing City Committee of the Chinese People's Political Consultative Conference. Mr. Ng was appointed as a Director of the Company on 9 October 2003. He is the son of Mr. Ng Hung Sang, an Executive Director and the Chairman of the Company, the younger brother of Ms. Ng Yuk Mui, Jessica, a Non-Executive Director of the Company, and the elder brother of Mr. Ng Yuk Yeung, Paul, an Executive Director and the Chief Executive Officer of the Company.

NON-EXECUTIVE DIRECTORS

Ms. Ng Yuk Mui, Jessica, aged 33, is a Non-executive Director of the Company. Ms. Ng is also a non-executive director of South China Holdings Limited and South China (China) Limited, and the chief executive officer of South China Media Limited. She has a Bachelor degree in law from King's College London, University of London in the United Kingdom and was admitted to the Hong Kong Bar in 2006. She is an associate member of the Chartered Institute of Management Accountants and a member of Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. Ms. Ng was appointed as a Director of the Company on 20 August 2003. Ms. Ng is the daughter of Mr. Ng Hung Sang, an Executive Director and the Chairman of the Company, and is the sister of Mr. Ng Yuk Fung, Peter, an Executive Director of the Company, and Mr. Ng Yuk Yeung, Paul, an Executive Director and Chief Executive Officer of the Company.

Dr. Lo Wing Yan, William, J.P., aged 51, is a Non-executive Director of the Company and a vice chairman of South China Media Limited. Dr. Lo had held various senior positions with I.T Limited, China Unicom Limited, Citibank, N.A., Hong Kong Telecom Group and McKinsey & Company, Inc. He is currently an independent non-executive director of Nam Tai Electronics, Inc., which is listed on the New York Stock Exchange, an independent non-executive director of Varitronix International Limited and SITC International Holdings Company Limited, both of which are listed on the Main Board of the Hong Kong Stock Exchange, and an independent non-executive director of Westminster Travel Limited, which is listed on the Singapore Stock Exchange. He holds a Master degree in Molecular Pharmacology and a Doctorate degree in Genetic Engineering, both from The University of Cambridge in England. He was a Commonwealth Scholar, a Croucher Foundation Fellow (HK), and a Bye-Fellow of Downing College, The University of Cambridge. He is very active in the education sector of which he is an Adjunct Professor of The School of Business, Hong Kong Baptist University as well as that of the Faculty of Management, Hong Kong Polytechnic University. He is also a Governor of the ISF Academy as well as Junior Achievement Hong Kong. In 1996, the renowned global organization World Economic Forum selected Dr. Lo as a "Global Leader for Tomorrow". In 1999, the Government of the Hong Kong Special Administrative Region appointed him as a Justice of the Peace ("J.P."). In 2003, he was appointed as a Committee Member of Shantou Municipal Committee of the Chinese People's Political Consultative Conference. He was appointed as an Independent Non-executive Director of the Company on 25 February 2002 and was re-designated as a Non-executive Director of the Company on 6 September 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Yuk Wo, aged 51, is an Independent Non-executive Director of the Company. He worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and Swiss Bank Corporation (now known as UBS AG) in Toronto. He has held senior management positions in a number of Hong Kong listed companies and is a co-founder of a Hong Kong merchant banking firm. He is the proprietor of a certified public accountant practice in Hong Kong. Mr. Cheng is currently an executive director of 21 Holdings Limited and an independent non-executive director of CPMC Holdings Limited, CSI Properties Limited, HKC (Holdings) Limited, C.P. Lotus Corporation (formerly known as "Chia Tai Enterprises International Limited"), Chong Hing Bank Limited, Goldbond Group Holdings Limited, Imagi International Holdings Limited and Top Spring International Holdings Limited, all being listed on the Main Board of the Hong Kong Stock Exchange. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honours) degree in Accounting. Mr. Cheng was appointed as a Director of the Company on 17 September 2004.

Ms. Pong Oi Lan, Scarlett, J.P., aged 51, is an Independent Non-executive Director of the Company. She is the Chairman of Health Quotient HQ International Institute Limited. She completed her executive program at Harvard Business School in the United States of America and also obtained a graduate diploma in business administration at Monash University in Australia and a Bachelor degree in pharmaceutical sciences from the University of Saskatchewan in Canada. Ms. Pong is an elected District Councilor, the Chairman of The Outstanding Young Persons' Association and The League of Health Professionals of Hong Kong Limited. She is a part-time lecturer of Master of Science in Women's Health Studies & Postgraduate Diploma in Women's Health Studies, The Chinese University of Hong Kong. She has been the president of The Practising Pharmacists Association of Hong Kong for eight years. She is being appointed in a number of government boards and committees such as Grantham Scholarships Fund Committee, Part-time Member of the Central Policy Unit (2008-2009), Chairman of ACAN Sub-committee on Preventive Educations and Publicity. Ms. Pong received an award of the Ten Outstanding Young Persons' Selection in 1998 and the Hundred Outstanding Women Entrepreneur in China in 2007. Ms. Pong was appointed as a Director of the Company on 27 March 2008.

Mr. So, George Siu Ming, aged 53, is an Independent Non-executive Director of the Company. He was the Chief Financial Officer and Chief Operating Officer of Asset Managers (Asia) Company Limited. He was an executive director of Sinopoly Battery Limited (formerly known as Thunder Sky Holdings Limited and Jia Sheng Holdings Limited) ("Sinopoly") during the period from 1 May 2007 to 30 June 2010 and had held various senior positions such as the Chief Financial Officer, the Chief Operating Officer, the Qualified Accountant and the Company Secretary with Sinopoly during the period from 2007 to 2010. The shares of Sinopoly are listed on the Main Board of the Hong Kong Stock Exchange. Mr. So obtained a Bachelor of Arts degree from the University of Toronto in Canada and a Master of Science degree in Finance from the Chinese University of Hong Kong. He is an associate member of the Canadian Institute of Chartered Accountants, the Society of Management Accountants of Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in auditing, accounting and finance areas. Mr. So was appointed as a Director of the Company on 23 December 2011.

Directors' Report

The directors of the Company (the "Directors") present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property investment and development business in the Peoples Republic of China.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 23 of this Annual Report.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 87 of this Annual Report. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Details of movements in the property, plant and equipment, investment properties and properties under development of the Group during the year are set out in notes 16, 18 and 22 to the audited consolidated financial statements respectively. Further details of the Group's investment properties and properties under development are set out on page 88 of this Annual Report.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

Details of movements in the Company's share capital and share options during the year are set out in notes 32 and 33 to the audited consolidated financial statements respectively.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2011.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 34 to the audited consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's reserves available for distribution amounted to approximately HK$941,137,000.

DIRECTORS

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

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)
Mr. Ng Yuk Yeung, Paul (*Chief Executive Officer*)
Mr. Richard Howard Gorges
Ms. Cheung Choi Ngor
Mr. Ng Yuk Fung, Peter

Non-executive Directors:

Ms. Ng Yuk Mui, Jessica
Dr. Lo Wing Yan, William, J.P.

Independent Non-executive Directors:

Mr. Cheng Yuk Wo
Ms. Pong Oi Lan, Scarlett, J.P.
Mr. So, George Siu Ming (appointed on 23 December 2011)

In accordance with Article 116 of the Articles of Association (the "AA") of the Company, Mr. Richard Howard Gorges, Ms. Cheung Choi Ngor, Mr. Ng Yuk Fung, Peter and Dr. Lo Wing Yan, William, J.P. will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with Article 99 of the AA of the Company, Mr. So, George Siu Ming will also retire at the forthcoming annual general meeting of the Company and be eligible for re-election. Save as disclosed, all other remaining Directors continue in office.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") from each of the Independent Non-executive Directors namely, Mr. Cheng Yuk Wo, Ms. Pong Oi Lan, Scarlett, J.P. and Mr. So, George Siu Ming for the year ended 31 December 2011 and as at the date of this report, the Company still considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out on pages 8 and 9 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2011, the interests and short positions of the Directors and chief executives of the Company in the 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 ("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 pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

The Company

A. Long position in shares

Name of Director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Ng Hung Sang ("Mr. Ng")	Beneficial owner	363,393,739	7,495,060,667	67.05%
	Interests of spouse	967,923,774		
	Interest of controlled corporations	6,163,743,154 *(Note a)*		
Ng Yuk Yeung, Paul	Beneficial owner		2,602,667	0.02%
Ng Yuk Fung, Peter	Beneficial owner		481,666,667	4.31%

B. Long position in the underlying shares

Share options

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Ng Yuk Yeung, Paul	Beneficial owner	1,666,666 *(Note b)*	0.01%
Ng Yuk Fung, Peter	Beneficial owner	1,666,666 *(Note b)*	0.01%

Notes:

(a) The 6,163,743,154 shares of the Company held by Mr. Ng through controlled corporations include 1,088,784,847 shares held by Bannock Investment Limited ("Bannock"), 1,150,004,797 shares held by Earntrade Investments Limited ("Earntrade"), 1,817,140,364 shares held by Fung Shing Group Limited ("Fung Shing"), 1,728,362,917 shares held by Parkfield Holdings Limited ("Parkfield"), 76,464,373 shares held by Ronastar Investments Limited ("Ronastar"), 237,881,856 shares held by Worldunity Investments Limited ("Worldunity") and 65,104,000 shares held by South China Strategic Limited ("SC Strategic"). Fung Shing, Parkfield and Ronastar are all wholly-owned by Mr. Ng. Mr. Ng holds Worldunity and SC Strategic indirectly via South China Holdings Limited ("SCH") and South China (China) Limited ("SCC") respectively, which is owned as to 73.72% and 63.01% by Mr. Ng, while Bannock is a wholly-owned subsidiary of Earntrade which is owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges ("Mr. Gorges") and 20% by Ms. Cheung Choi Ngor ("Ms. Cheung"). As such, Mr. Ng was deemed to have interest in the 237,881,856 shares held by Worldunity, the 65,104,000 shares held by SC Strategic and the 2,238,789,644 shares held by Bannock and Earntrade.

(b) These share options were granted on 14 March 2007 at an exercise price of HK$0.2166 per share of the Company with exercisable periods as follows: (i) 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the third year from the date of grant; (ii) 1/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the fourth year from the date of grant; and (iii) 1/3 of the total share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the fifth year from the date of grant. 1,666,667 share options of each of Mr. Peter Ng and Mr. Paul Ng has been lapsed on 14 March 2011 due to non-exercised. The number of outstanding options granted to each of Mr. Peter Ng and Mr. Paul Ng at 1 January 2010 and 31 March 2010 is 3,333,333 and 1,666,666 share options respectively. Details of which are set out in the following section headed "Share Option Scheme".

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executives of the Company had registered any interests or short positions in the 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 which was required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

The Directors and employees of the Company and its subsidiaries are entitled to participate in the share option scheme of the Company. Particulars of the share option scheme of the Company together with the details of the options of the Company granted are set out in note 33 to the audited consolidated financial statements. Details of the options granted by the Company to the Directors are set out under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" of this Annual Report.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme", at no time during the year was the Company, or any of its holding companies or subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or the chief executives or any of their spouses or children under the age of 18, was granted any rights to subscribe for equity or debt securities of the Company or any other body corporate nor had exercised any such right.

PENSION SCHEME

Details of the pension scheme of the Group are set out in note 3.16 to the audited consolidated financial statements.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year ended 31 December 2011 and up to the date of this Annual Report (where applicable) between the Group and other companies in which Mr. Ng, a Director and controlling shareholder of the Company, has beneficial interest are set out in note 38 to the audited consolidated financial statements and under the sections headed "Connected Transactions" and "Continuing Connected Transactions" of this Annual Report.

Save as disclosed above, no contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director 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, nor there was any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries for the year ended 31 December 2011.

MANAGEMENT CONTRACTS

Details of contracts for the management and administration of the whole or any substantial part of the business of the Company entered into or subsisted during the year are set out in note 38 to the audited consolidated financial statements and under the section headed "Continuing Connected Transactions" of this Annual Report.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, the following persons, other than the Directors and chief executives of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of Part XV of SFO:

Long position

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
Earntrade	Beneficial owner and interest of controlled corporation	2,238,789,644 (*Note a*)	20.03%
Fung Shing	Beneficial owner	1,817,140,364	16.26%
Parkfield	Beneficial owner	1,728,362,917	15.46%
Bannock	Beneficial owner	1,088,784,847 (*Note a*)	9.74%
Ng Lai King, Pamela ("Mrs. Ng")	Beneficial owner and interest of spouse	7,495,060,667 (*Note b*)	67.05%

Notes:

(a) Bannock is a wholly-owned subsidiary of Earntrade. The 2,238,789,644 shares in the Company held by Earntrade include 1,088,784,847 shares held by Bannock directly.

(b) Mrs. Ng who holds 967,923,774 shares of the Company beneficially, is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Mrs. Ng is deemed to be interested in the 363,393,739 shares and 6,163,743,154 shares held by Mr. Ng beneficially and through controlled corporations respectively as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above.

Save as disclosed above, as at 31 December 2011, no person, other than the Directors or chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted an employees' share award scheme (the "Scheme") for recognizing the contributions by certain employees of the Group, giving incentive to them in order to retain them for the continual operation and development of the Group and attracting suitable personnel for the development of the Group. Pursuant to the Scheme, a sum up to HK$20 million would be used for the purchase of shares of the Company and/or SCC (the "Shares") from market which would be held on trust by the trustee for the selected employees of the Group. The selected employees and the reference awarded sum for the purchase of Shares to be awarded shall be determined by the Board from time to time at its absolute discretion.

Unless terminated earlier by the Board or all awarded Shares have been vested, the Scheme shall be valid and effective for a term of 15 years commencing on the date of adoption.

As at 31 December 2011, 1,472,000 shares of the Company and 432,000 shares of SCC were granted to the Group's selected employees (without Directors) under the Scheme, and the above shares will be vested to the selected employees upon their completion of 18 months of services with the Group or on 31 December 2012, whichever is later.

As at 31 December 2011, 2,992,000 share of the Company and 912,000 shares of SCC were granted to the Group's selected employees (without Directors) under the Scheme, and the above shares will be vested to the selected employees upon their completion of 24 months of services with the Group or on 30 June 2013, whichever is later.

1,472,000 shares of the Company and 432,000 shares of SCC of awarded Shares have been lapsed and no awarded Shares have been vested during the year ended 31 December 2011. The Company recognised a Share award expense of HK$171,000 (2010: Nil) during the year ended 31 December 2011.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESSES

Mr. Ng, the Chairman and controlling shareholder of the Company, is also the chairman of SCH and SCC. Mr. Ng, personally and through controlled corporations, had controlling interest in the Company, SCH and SCC, in which certain corporate interest in SCH and SCC are held by Mr. Ng jointly with Mr. Gorges, an Executive Director of the Company (who is also an executive director of SCH and SCC) and Ms. Cheung, an Executive Director of the Company (who is also an executive director of SCH and SCC). Mr. Paul Ng, an Executive Director of the Company with certain interest in the Company, also has certain interest in SCC. Mr. Peter Ng, an Executive Director of the Company with certain interest in the Company, is also an executive director of SCH and SCC with certain interest in SCC. Ms. Ng Yuk Mui, Jessica ("Ms. Jessica Ng"), a Non-Executive Director of the Company, is also a non-executive director of SCH and SCC and with certain interest in SCC. Since certain subsidiaries of SCH and SCC are principally engaged in property development and investment business, each of Mr. Ng, Mr. Gorges, Ms. Cheung, Mr. Peter Ng and Ms. Jessica Ng is regarded as interested in such competing business of the Group.

The Directors are of the view that the Company can carry on its business independently of and at arm's length from the business of SCH and SCC and there is no direct competition amongst the three listed groups.

Save as disclosed above, as at 31 December 2011, none of the Directors or any of their respective associates had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests of the Group.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to Rule 17.50A of the GEM Listing Rules, the change of Directors' biographical details since the date of last interim report of the Company are set out as follows:

– the role of Dr. Lo Wing Yan, William, J.P. has been re-designated from Independent Non-Executive Director to Non-Executive Director of the Company with effect from 6 September 2011; and

– Mr. So, George Siu Ming has been appointed as an Independent Non-Executive Director of the Company and a member of the Audit Committee and Remuneration Committee with effect from 23 December 2011.

Updated biographical details of the Company's Directors are set out on pages 8 to 9 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as required under the GEM Listing Rules as at the date of this Annual Report.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Details of the compliance by the Company with the Code on Corporate Governance Practices are set out on pages 18 to 21 of this Annual Report.

REQUIRED STANDARD FOR SECURITIES TRANSACTIONS BY DIRECTORS

Details of the compliance by the Company with the required standard of dealings for securities transactions by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules are set out on page 19 of this Annual Report.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in notes 11, 30 and 38 to the audited consolidated financial statements.

CONNECTED TRANSACTIONS

During the year and up to the date of this Annual Report, the Group had the following connected transactions, details of which were disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

(1) A share purchase agreement dated 11 January 2011 entered into between Crystal Hub Limited ("Crystal Hub"), a direct wholly owned subsidiary of the Company, as vendor with South China Industries (BVI) Limited, a direct wholly owned subsidiary of SCC, as purchaser in relation to the sale and purchase of 1 share in Autowill Limited (together with the shareholder's loan outstanding as at 31 March 2011), which together with its subsidiaries are engaged in agricultural business for a consideration of HK$24.1 million. Details of the transaction were disclosed in the announcement of the Company dated 11 January 2011.

(2) A share purchase agreement dated 28 October 2011 entered into between Crystal Hub Limited ("Crystal Hub"), a direct wholly owned subsidiary of the Company, as vendor with South China Strategic (BVI) Limited, a direct wholly owned subsidiary of SCC, as purchaser in relation to the sale and purchase of 1 share in Surplus Access International Limited (together with the shareholder's loan outstanding as at 27 October 2011), which together with its subsidiaries for a consideration of HK$6.3 million. Details of the transaction were disclosed in the announcement of the Company dated 28 October 2011.

As at 11 January 2011 and 28 October 2011, Mr. Ng, the Chairman, executive director and substantial shareholder of the Company, through interest in controlled corporations owned as to 63.01% in SCC.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had entered into the following continuing connected transaction which has become effective since January 2012, details of which were disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

– On 2 November 2011, Crystal Hub, a direct wholly-owned subsidiary of the Company, entered into the Agreement (the "Agreement") as the Grantor with Green Orient Investments Limited ("Green Orient"), an indirect wholly-owned subsidiary of SCC, as the Grantee for the exclusive right to manage the ***Fortuna Plaza*** (the "Premises"), which is restricted to the use of shopping mall and related operation, for one year up to 31 December 2012 with the Grantee having the right to renew the Agreement annually on the same terms and conditions until 31 December 2026 at a basic annual fee of RMB80 million and an additional annual performance fee calculated based on 50% of the net operating profit as defined in the Agreement. The Agreement was approved by the independent shareholders of the Company and SCC at the extraordinary general meetings of the respective companies held on 6 January 2012. Details of the transaction were disclosed in the announcement and circular of the Company dated 2 November 2011 and 19 December 2011 respectively.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Cheng Yuk Wo (Chairman of the Committee), Ms. Pong Oi Lan, Scarlett, J.P. and Mr. So, George Siu Ming and a Non-executive Director, namely Dr. Lo Wing Yan, William, J.P..

The Audit Committee is satisfied with its review of the audit fee, the independence of the Auditors and recommended to the Board the re-appointment of the Auditors in 2012 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2011 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2011, the sales to the Group's five largest customers accounted for 49% and the sales to the largest customer included therein accounted for 13% of the total sales. Purchases from the Group's five largest suppliers accounted for 72% and the purchases from the largest supplier included therein accounted for 49% of the total purchases for the year.

None of the Directors or any of their associates or any shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had an interest in the Group's five largest customers or suppliers of the Group noted above.

AUDITORS

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 26 November 2010. The financial statements for the years ended 31 December 2010 and 2011 were audited by BDO.

Messrs. BDO Limited will retire and, being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Hung Sang
Chairman
Hong Kong, 20 March 2012

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") throughout the year ended 31 December 2011 with exception to code provision E.1.3 that the notice (the "Notice") of the annual general meeting held on 3 May 2011 (the "2011 AGM") had been sent to all shareholders of the Company fewer than 20 clear business days before the 2011 AGM. According to code provision E.1.3 of the CG Code, the Notice shall have been sent to all shareholders of the Company at least 20 clear business days before the date of the annual general meeting. The Directors believe that this was an exceptional incident and the Company ensure further compliance with code provision E.1.3.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2011, the board of directors of the Company (the "Board") composed of 10 directors, including the Chairman and the Chief Executive Officer who are Executive Directors, 3 additional Executive Directors, 2 Non-executive Directors and 3 Independent Non-executive Directors. Almost one-third of the Board is Independent Non-executive Directors. Their biographies and relevant relationships amongst them are set out in the Biographical Details of Directors on pages 8 and 9 of this Annual Report.

Review will be made regularly on the Board composition to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. Also, a balanced composition of Executive Directors and Non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the GEM Listing Rules in having one of the Independent Non-executive Directors with appropriate accounting qualifications and expertise to chair the Audit Committee.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

The Board has adopted a formal written procedure and policy for the appointment of new directors. When selecting potential candidates for directors, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors for consideration. No Nomination Committee has been set up as at 31 December 2011, and hence, the nomination and selection process are performed by the Board. The Board meets at least once in a year in discussing whether the composition, size, structure of the Board is adequate. The Board met once in 2011 for the said purpose with all the Directors present.

All Directors of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association.

The Board is collectively responsible for the formulation of the Group's strategy, overseeing the management of the business and affairs of the Group.

Daily operation and managing of the business of the Group, inter alia, the implementation of strategies, are delegated to the Executive Committee, comprising all Executive Directors. They report periodically to the Board their work and business decisions.

The roles of the Chairman and the Chief Executive Officer are exercised by separate individuals with a view to reinforcing their independence and accountability. Key and important decisions are fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda of regular meetings. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the

Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

The Board held seven meetings in 2011:

	Attendance
Executive Directors	
Ng Hung Sang (*Chairman*)	4/7
Ng Yuk Yeung, Paul (*Chief Executive Officer*)	2/7
Richard Howard Gorges	7/7
Cheung Choi Ngor	7/7
Ng Yuk Fung, Peter	3/7
Non-executive Directors	
Ng Yuk Mui, Jessica	2/7
Lo Wing Yan, William, J.P.	7/7
Independent Non-executive Directors	
Cheng Yuk Wo	7/7
Pong Oi Lan, Scarlett, J.P.	6/7
So, George Siu Ming (Appointed on 23 December 2011)	N/A

Notice of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a board or board committee meeting. With respect to other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedure and all applicable rules and regulations are complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever they deem necessary. Memos are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. In addition, the Board has established similar guidelines for relevant employees who are likely in possession of unpublished price sensitive information in relation to the Group or its securities.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors throughout the year ended 31 December 2011.

INTERNAL CONTROL

Recognising that a well-designed and effective system of internal control is crucial for safeguarding the assets of the Company and the shareholders' investment and for ensuring the reliability of financial reporting as well as compliance with the relevant requirement of the GEM Listing Rules, the Directors acknowledge that they have overall responsibility for the Company's internal control, financial control and risk management and shall monitor its effectiveness from time to time. Therefore, a team, comprising qualified accountants, has been organized to carry out the internal audit function of the Company (the "IA Team").

Based on the assessment of risk exposure, the IA Team formulates audit plans quarterly and ensures that the audit programs will cover key internal control areas of key operating subsidiaries on a rotational basis for review by the Audit Committee on a regular interval. The scopes and timing of the audit review is usually determined according to risk assessment.

Special reviews may also be performed on areas of concern identified by the management or the Audit Committee from time to time. Communication channel has been established between the IA Team and the Audit Committee members.

IA Team consistently monitors the internal control procedures and systems of the Group, reports findings and make recommendations, if any, to the Audit Committee on a regular interval. During the year, the Credit Control Cycle, the Payroll Control Cycle, and the Fixed Assets Control Cycle and the Inventory Control Cycle of the Group were reviewed by the IA Team. Recommended remedial actions, distinguishing specific incidents from control weakness that require procedural changes or enhancement to prevent recurrence were proposed and addressed in the internal control report which was presented by the IA Team to the Audit Committee and the Board for review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. The Directors ensure that the preparation of the consolidated financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditors' Report on page 22 of this Annual Report.

AUDITOR'S REMUNERATION

For the year ended 31 December 2011, the Auditor of the Company will receive approximately HK$500,000 for audit service. No non-audit service was provided by the Auditor in 2011.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 16 March 2005 and it comprises a Non-executive Director, namely Dr. Lo Wing Yan, William, J.P. (Chairman of the Remuneration Committee) together with all the Independent Non-executive Directors, namely Mr. Cheng Yuk Wo, Ms. Pong Oi Lan, Scarlett, J.P. and Mr. So, George Siu Ming.

The Remuneration Committee met once in November 2011 and it was attended by all the Committee members except Mr. So, George Siu Ming (who was appointed only until 23 December 2011). The policies on the remuneration of Executive Directors were reviewed by the Remuneration Committee. Remuneration, including basic salaries, discretionary performance bonus and other emolument of the Executive Directors is based on skill, knowledge, involvement in the Company's affairs and performance of the individual Executive Directors with reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long-term incentive for retaining staff.

The directors' fees for all Directors are subject to shareholders' approval at general meeting. Remuneration packages of the Executive Directors are reviewed by the Remuneration Committee. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Cheng Yuk Wo (Chairman of the Committee), Ms. Pong Oi Lan, Scarlett, J.P. and Mr. So, George Siu Ming and a Non-executive Director, namely Dr. Lo Wing Yan, William, J.P.. The principal duties of the Audit Committee in accordance with its terms of reference, which are substantially the same as the CG Code, which include the review of the Group's financial reporting system and internal control procedures, review of financial information of the Group and review of the relationship with the Auditors of the Group.

The Audit Committee members meet regularly and held four meetings in 2011 in which representatives of the management were present to review the quarterly, interim and final results, the quarterly, interim and annual reports, and other financial and internal control matters. The Group's Auditors were present in one of the meetings.

	Attendance
Cheng Yuk Wo	4/4
Pong Oi Lan, Scarlett, J.P.	4/4
So, George Siu Ming (Appointed on 23 December 2011)	N/A
Lo Wing Yan, William, J.P.	3/4

The Audit Committee is satisfied with their review of the audit fees and the independence of the Auditor and recommended to the Board the re-appointment of the Auditor in 2012 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2011 were reviewed by the Audit Committee.

Independent Auditor's Report

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TO THE SHAREHOLDERS OF SOUTH CHINA LAND LIMITED
南華置地有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of South China Land Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 23 to 86, 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 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 the terms of our engagement, 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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

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

BDO Limited
Certified Public Accountants
Lo Ngai Hang
Practising Certificate Number P04743

Hong Kong, 20 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Continuing operations			
Revenue	5	**5,175**	844
Other operating income	6	**5,606**	1,085
Increase in fair value of investment properties	18	**141,593**	1,269,118
Selling and distribution costs		**(10,814)**	(13,246)
Administrative and other operating expenses		**(33,744)**	(35,273)
Operating profit	8	**107,816**	1,222,528
Finance costs	9	**(39,374)**	(11,601)
Profit before income tax		**68,442**	1,210,927
Income tax expense	10	**(35,398)**	(317,279)
Profit for the year		**33,044**	893,648
Discontinued operations			
Profit for the year attributable to the equity holders from discontinued operations	11	**–**	5,337
Profit for the year		**33,044**	898,985
Profit attributable to equity owners:			
– Profit from continuing operations		**23,168**	708,267
– Profit from discontinued operations		**–**	5,337
		23,168	713,604
Profit for the year attributable to:			
Equity holders of the Company	12	**23,168**	713,604
Non-controlling interests		**9,876**	185,381
		33,044	898,985
Earnings per share for profit attributable to the equity holders of the Company during the year	13		
Basic			
– Profit from continuing and discontinued operations		**HK0.21 cent**	HK6.38 cents
– Profit from continuing operations		**HK0.21 cent**	HK6.33 cents
– Profit from discontinued operations		**–**	HK0.05 cent
Diluted			
– Profit from continuing and discontinued operations		**N/A**	HK6.38 cents
– Profit from continuing operations		**N/A**	HK6.33 cents
– Profit from discontinued operations		**N/A**	HK0.05 cent

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**33,044**	898,985
Other comprehensive income for the year		
Exchange differences on translation of financial statements of overseas subsidiaries	**56,287**	54,602
Total comprehensive income for the year	**89,331**	953,587
Total comprehensive income attributable to:		
Equity holders of the Company	**73,497**	760,820
Non-controlling interests	**15,834**	192,767
	89,331	953,587

Consolidated Statement of Financial Position

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**6,217**	4,138
Prepaid land lease payments	17	**–**	4,646
Investment properties	18	**2,975,087**	2,663,437
Goodwill	21	**355,326**	355,326
Deposits paid, prepayments and other receivables	24	**–**	428,660
		3,336,630	3,456,207
Current assets			
Properties under development	22	**74,922**	15,528
Trade receivables	23	**95**	141
Deposits paid, prepayments and other receivables	24	**655,692**	12,234
Amount due from a non-controlling shareholder of a subsidiary	25	**52,923**	50,877
Pledged bank deposits	29	**32,001**	–
Cash and cash equivalents	26	**59,062**	100,769
		874,695	179,549
Current liabilities			
Trade payables	27	**79,401**	7,936
Other payables, accrued expenses and receipts in advance	28	**181,584**	56,937
Amount due to a related company	25	**–**	721
Bank borrowings	29	**12,319**	578,254
		273,304	643,848
Net current assets/(liabilities)		**601,391**	(464,299)
Total assets less current liabilities		**3,938,021**	2,991,908
Non-current liabilities			
Bank borrowings	29	**580,813**	–
Loan from a related company	30	**78,000**	–
Loans from shareholders	30	**498,810**	336,321
Deferred tax liabilities	31	**463,648**	428,250
		1,621,271	764,571
Net assets		**2,316,750**	2,227,337

Consolidated Statement of Financial Position

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	32	**111,785**	111,785
Reserves	34	**1,844,386**	1,770,807
		1,956,171	1,882,592
Non-controlling interests		**360,579**	344,745
Total equity		**2,316,750**	2,227,337

On behalf of the Board

Ng Yuk Yeung, Paul
Director

Ng Yuk Fung, Peter
Director

Statement of Financial Position

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	19	–	–
Current assets			
Amounts due from subsidiaries	19	1,620,869	1,429,767
Cash and cash equivalents	26	48	3
		1,620,917	1,429,770
Current liabilities			
Other payables and accrued expenses	28	28,194	11,620
Amounts due to subsidiaries	19	203,101	–
		231,295	11,620
Net current assets		1,389,622	1,418,150
Total assets less current liabilities		1,389,622	1,418,150
Non-current liabilities			
Loans from shareholders	30	336,700	336,321
Net assets		1,052,922	1,081,829
EQUITY			
Share capital	32	111,785	111,785
Reserves	34	941,137	970,044
Total equity		1,052,922	1,081,829

On behalf of the Board

Ng Yuk Yeung, Paul
Director

Ng Yuk Fung, Peter
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Profit before income tax			
from continuing operations		**68,442**	1,210,927
from discontinued operations		**–**	5,490
		68,442	1,216,417
Adjustments for:			
Interest income	6	**(160)**	(167)
Increase in fair value of investment properties	18	**(141,593)**	(1,269,118)
Reversal of impairment loss of trade receivables	23	**–**	(178)
Gain on disposal of subsidiaries	20(c)	**–**	(3,829)
Depreciation	16	**1,902**	573
Equity settled share-based payment expenses	14	**171**	68
Interest expense	9	**39,374**	11,601
Operating loss before working capital changes		**(31,864)**	(44,633)
Decrease in trade receivables		**46**	15,662
Payments of properties under development	22	**(38,735)**	(200,085)
Increase in amount due from a non-controlling shareholder of a subsidiary		**(840)**	(6,416)
Increase in deposits paid, prepayments and other receivables		**(89,201)**	(3,896)
Increase in deposits paid for acquisition of leasehold interest in land		**(201,704)**	–
Increase in trade payables		**69,233**	5,202
Increase in other payables, accrued expenses and receipts in advance		**189,685**	38,979
Decrease in amount due to a related company		**(721)**	(310)
Net cash used in operating activities		**(104,101)**	(195,497)
Cash flows from investing activities			
Interest received	6	**160**	167
Net cash inflow/(outflow) from disposal of subsidiaries	20	**12,945**	(1,090)
Additions of other property, plant and equipment	16	**(4,177)**	(3,309)
Payments of investment properties	18	**(110,955)**	–
Increase in pledged bank deposits		**(32,001)**	–
Deposit paid for acquisition of leasehold interest in land		**–**	(289,686)
Net cash used in investing activities		**(134,028)**	(293,918)
Cash flows from financing activities			
New bank loans		**–**	193,425
Repayments of bank loans		**(8,420)**	–
Loan from shareholders		**162,489**	336,321
Loan from a related company		**78,000**	–
Interest paid	9	**(38,055)**	(26,775)
Contribution from shareholders		**–**	15,187
Proceeds from exercise of share options		**–**	722
Net cash generated from financing activities		**194,014**	518,880
Net (decrease)/increase in cash and cash equivalents		**(44,115)**	29,465
Cash and cash equivalents at 1 January		**100,769**	68,486
Effect of foreign exchange rate changes		**2,408**	2,818
Cash and cash equivalents at 31 December		**59,062**	100,769
Analysis of the cash and cash equivalents			
– Cash and cash equivalents	26	**59,062**	100,769

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Equity attributable to the equity holders of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Capital contribution reserve	Employee compensation reserve	Exchange reserve	Retained earnings/ (accumulated losses)	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	111,752	770,264	6,044	276,375	3,059	68,166	(129,865)	1,105,795	151,978	1,257,773
Transactions with owners										
Recognition of equity settled share-based compensation	–	–	–	–	68	–	–	68	–	68
Exercise of share options	33	1,578	–	–	(889)	–	–	722	–	722
Lapse of share options	–	–	–	–	(420)		420	–	–	–
Other contribution from a shareholder	–	–	–	15,187	–	–	–	15,187	–	15,187
Transactions with owners	33	1,578	–	15,187	(1,241)	–	420	15,977	–	15,977
Comprehensive income										
Profit for the year	–	–	–	–	–	–	713,604	713,604	185,381	898,985
Other comprehensive income										
Exchange realignment	–	–	–	–	–	47,216	–	47,216	7,386	54,602
Total comprehensive income for the year	–	–	–	–	–	47,216	713,604	760,820	192,767	953,587
At 31 December 2010 and 1 January 2011	111,785	771,842	6,044	291,562	1,818	115,382	584,159	1,882,592	344,745	2,227,337
Transactions with owners										
Disposal of subsidiaries	–	–	–	–	–	(1,666)	1,666	–	–	–
Recognition of equity settled share-based compensation	–	–	–	–	82	–	–	82	–	82
Lapse of share options	–	–	–	–	(1,150)	–	1,150	–	–	–
Transactions with owners	–	–	–	–	(1,068)	(1,666)	2,816	82	–	82
Comprehensive income										
Profit for the year	–	–	–	–	–	–	23,168	23,168	9,876	33,044
Other comprehensive income										
Exchange realignment	–	–	–	–	–	50,329	–	50,329	5,958	56,287
Total comprehensive income for the year	–	–	–	–	–	50,329	23,168	73,497	15,834	89,331
At 31 December 2011	111,785	771,842	6,044	291,562	750	164,045	610,143	1,956,171	360,579	2,316,750

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

1. GENERAL INFORMATION

South China Land Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands and its principal place of business is 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The Company's shares are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company and its subsidiaries (together referred to as the "Group") are property investment and development in the People's Republic of China (the "PRC").

The financial statements on pages 23 to 86 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards 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 GEM of the Stock Exchange (the "GEM Listing Rules").

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

The financial statements for the year ended 31 December 2011 were approved for issue by the board of directors on 20 March 2012.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) Adoption of new/revised HKFRS

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
HKAS 24 (Revised)	Related Party Disclosures

Excepted as explained below, the adoption of the new HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

HKAS 24 (Revised) — Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

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

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs have been issued but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 1	First-time Adoption of HKFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKAS 1	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[3]
HK(IFRIC) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[4]
Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
Amendments t o HKAS 12	Deferred Tax – Recovery of Underlying Assets[2]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entitles[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 19 (2011)	Employee Benefit[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investment in Associates and Joint Ventures[4]
Amendments to HKAS 32	Financial Instruments – Presentation – Offsetting Financial Assets and Financial Liabilities[5]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncements. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. The directors are currently assessing the impact of other new and amended HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group's results and financial position.

HKFRS 7 (Amendments) Disclosure – Transfer of Financial Assets

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

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

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

HKFRS 9 Financial Instruments

The standard is effective for annual periods beginning on or after 1 January 2015. Under the standard, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition 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.

Amendments to HKAS 12 Deferred Tax– Recovery of Underlying Assets

The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendments will be applied retrospectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these consolidated 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 2.

The consolidated financial statements have been prepared on the historical cost basis, as modified by revaluation of investment properties, which are carried at fair value. 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 consolidated 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 consolidated financial statements, are disclosed in note 4.

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

3.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). 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 statement of comprehensive income 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.

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 subsidiaries either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

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

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. 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 interest that represent present ownership interests in the subsidiaries is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

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

3.2 Business combination and basis of consolidation *(Continued)*

Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3.3 Revenue recognition

Revenue comprises the fair value from the sale of goods and services, 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:

– Rental income from investment properties is recognised on a straight-line basis over the periods of the respective tenancies.

– Commission from concessionaire sales is recognised on an appropriate basis over the relevant period in which the services are rendered.

– Building management and service fee income is recognised on an appropriate basis over the relevant period in which the services are rendered.

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

– Sale of magazines was recognised when the magazines were delivered net of returns or title has been passed, with advance subscription fee received from subscribers recorded as receipts in advance.

– Advertising income was recognised on the date of the relevant publication issue or on time basis by reference to the period in which the advertisement is published.

– Promotion and marketing income was recognised in the accounting period in which the services were 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.

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

3.4 Foreign currency translation

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 the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into the HK$ 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 separated in the currency 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 HK$ at the closing rates. Goodwill arising on the 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.

On disposal of a foreign operation, the cumulative exchange differences recognized 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.

3.5 Borrowing costs

Borrowing 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 borrowing costs are expensed when incurred.

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

3.6 Goodwill

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment (see note 3.9).

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

3.6 Goodwill *(Continued)*

Any excess of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the consideration transferred and the amount recognised for non-controlling interests is recognised immediately in profit or loss.

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.

3.7 Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the end of the reporting period. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss. Rental income from investment properties is accounted for as described in note 3.3. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

3.8 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and impairment losses.

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

Depreciation on property, plant and equipment is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method at 20% per annum (or over the lease term, if shorter).

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

3.9 Impairment of non-financial assets

Goodwill, property, plant and equipment, land use rights and interests in subsidiaries are subject to impairment testing.

Goodwill is 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.

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

3.9 Impairment of non-financial assets *(Continued)*

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. 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 including impairment losses recognised in an interim period. 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.

3.10 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.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss 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.

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

3.11 Financial assets

The Group's financial assets include trade and other receivables, amount due from a non-controlling shareholder of a subsidiary, cash and cash equivalents and pledged bank deposits.

The Group's financial assets are classified as loans and receivables. 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 investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

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.

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.

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 and, national or local economic conditions that correlate with defaults on the assets in the group.

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

3.11 Financial assets *(Continued)*

If there is objective evidence that an impairment loss on loans and receivables 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.

Financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade 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 trade receivables is remote, the amount considered irrecoverable is written off against trade 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.

3.12 Accounting for income taxes

Income tax 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 tax expense in profit or loss.

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

Deferred tax 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 liabilities are recognised for taxable temporary differences arising on investment in subsidiaries, 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.

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

3.12 Accounting for income taxes *(Continued)*

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 in equity.

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

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

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

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

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

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

   (i) the same taxable entity; or

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

3.13 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises the acquisition cost of land, aggregate cost of development, materials and suppliers, wages and other direct expenses, an appropriate proportion of overheads and borrowing cost capitalised (note 3.5).

Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and estimated selling expenses.

No depreciation is provided on properties under development.

Properties under development for future sale in the ordinary course of business are included in current assets. On completion, the properties are transferred to properties held for sale.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand.

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

3.15 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.

3.16 Pension obligations and employee benefits

Defined contribution plan

Pensions to employees are provided through a defined contribution plan.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans 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.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligation under these plans is limited to the fixed percentage contributions payable.

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.

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

3.17 Share-based employee compensation

Share option scheme

The Group operates equity settled share-based compensation plan 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.

Upon exercise of share options, the amount previously recognised in employee compensation reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to accumulated losses.

Share award plan

The Group operates a share award plan which allows it to issue equity-settled share-based payments to selected employees. For the award granted to the employees, the fair value of the employee services received in exchange for the grant of the share award is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The share award plan also allows the Group to issue other shares to selected employees, the fair value of the awards granted and measured as the Group's liability at the end of each reporting period, taking into account the terms and conditions on which the other shares is awarded.

All share-based compensation is recognised as an expense in profit or loss unless it qualifies for recognition as asset. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share award expected to vest. Non-market vesting conditions are included in assumptions about the number of shares that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share award expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share award ultimately are exercised than originally vested.

3.18 Financial liabilities

The Group's financial liabilities include trade and other payables, loans from shareholders and a related company and bank borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 3.5).

A financial liability is derecognised when the obligation under the liability is discharged, 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.

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

3.18 Financial liabilities *(Continued)*

Payables

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

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.

3.19 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.

When 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 future uncertain 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 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.

3.20 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.

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

3.20 Related parties *(Continued)*

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

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

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

(iii) Both entities are joint ventures of the same third party;

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

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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.

3.21 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 lines.

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:

(a) expenses related to share-based payments;

(b) finance costs;

(c) income tax;

(d) corporate income and expenses which are not directly attributable to the business activities of any operating segment; and

(e) Fair value gains on investment properties;

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

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

3.21 Segment reporting *(Continued)*

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 deferred tax liabilities attributable to investment properties.

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.

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:

(a) Impairment of receivables

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

(b) Depreciation

The Group depreciates the plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are available for use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 3.9. 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.

(d) Estimates of fair value of investment properties

As disclosed in note 18, the Group's investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

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

(e) Deferred tax assets

The recognition of deferred tax assets requires assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. These temporary differences result in deferred tax assets are included within the statement of financial position. Deferred tax assets are measured using substantially enacted tax rates expected to apply when the temporary differences reverse. Deferred tax assets are not recognised where it is more likely than not that the asset will not be realised in the future. This evaluation requires judgements to be made including the forecast of future taxable income. Recognition therefore, involves management's judgement regarding the future financial performance of the particular legal entity in which the deferred tax assets have been recognised and interpretation of country specific tax law and the likelihood of settlement. However the actual tax assets could differ from the provision and in such event the Group would be required to make an adjustment in a subsequent period which could have a material impact on the Group's income statement.

5. REVENUE

The Group's principal activities are disclosed in note 1 to these consolidated financial statements. Turnover of the Group is the revenue from these activities.

Revenue from the Group's principal activities recognised during the year is as follows:

	2011 **HK$'000**	2010 HK$'000
Continuing operations		
Rental income from investment properties	**1,929**	509
Commissions from concessionaire sale	**294**	75
Building management and service fee income	**2,952**	260
	5,175	844
Discontinued operations		
Sales of magazines	–	657
Advertising income	–	5,057
Promotion and marketing income	–	8,897
	–	14,611
	5,175	15,455

6. OTHER OPERATING INCOME

	2011 **HK$'000**	2010 HK$'000
Continuing operations		
Bank and other interest income	**160**	167
Exchange gain	**3,144**	–
Administration and other management fee income	**1,258**	–
Sundry income	**1,044**	918
	5,606	1,085
Discontinued operations		
Sundry income	**–**	178
	5,606	1,263

7. SEGMENT INFORMATION

The executive directors have identified the Group's operating segments as follows:

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

	Continuing operations Property investment and development		**Discontinued operations Magazine Publications**		**Total**	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Revenue						
From external customers	**5,175**	844	**–**	14,611	**5,175**	15,455
Reportable segment revenue	**5,175**	844	**–**	14,611	**5,175**	15,455
Reportable segment (loss)/profit	**(33,604)**	(45,439)	**–**	1,661	**(33,604)**	(43,778)
Bank interest income	**160**	167	**–**	–	**160**	167
Depreciation	**(1,836)**	(386)	**–**	(126)	**(1,836)**	(512)
Interest expense	**(39,374)**	(11,601)	**–**	–	**(39,374)**	(11,601)
Reversal of trade receivables	**–**	–	**–**	178	**–**	178
Reportable segment assets	**4,194,833**	3,534,987	**–**	–	**4,194,833**	3,534,987
Additions to non-current segment assets during the year	**309,083**	228,267	**–**	–	**309,083**	228,267
Reportable segment liabilities	**(1,529,681)**	(1,060,478)	**–**	–	**(1,529,681)**	(1,060,478)

7. SEGMENT INFORMATION *(Continued)*

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

	Continuing operations Property investment and development		Discontinued operations Magazine Publications		Total	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Reportable segment revenue	**5,175**	844	**–**	14,611	**5,175**	15,455
Group revenue	**5,175**	844	**–**	14,611	**5,175**	15,455
Reportable segment (loss)/profit	**(33,604)**	(45,439)	**–**	1,661	**(33,604)**	(43,778)
Other corporate expenses	**(173)**	(1,151)	**–**	–	**(173)**	(1,151)
Fair value gain on investment properties	**141,593**	1,269,118	**–**	–	**141,593**	1,269,118
Finance costs	**(39,374)**	(11,601)	**–**	–	**(39,374)**	(11,601)
Gain on disposal of subsidiaries	**–**	–	**–**	3,829	**–**	3,829
Profit before income tax	**68,442**	1,210,927	**–**	5,490	**68,442**	1,216,417
Reportable segment assets	**4,194,833**	3,534,987	**–**	–	**4,194,833**	3,534,987
Other corporate assets	**16,492**	100,769	**–**	–	**16,492**	100,769
Group assets	**4,211,325**	3,635,756	**–**	–	**4,211,325**	3,635,756
Reportable segment liabilities	**1,529,681**	1,060,478	**–**	–	**1,529,681**	1,060,478
Other corporate liabilities	**364,894**	347,941	**–**	–	**364,894**	347,941
Group liabilities	**1,894,575**	1,408,419	**–**	–	**1,894,575**	1,408,419

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Hong Kong (domicile)	**–**	14,611	**–**	–
The PRC	**5,175**	844	**3,336,630**	3,456,207
	5,175	15,455	**3,336,630**	3,456,207

The country of domicile is determined by referring to the country which the Group regards as its home country, has the majority of operations and centre of management.

7. SEGMENT INFORMATION *(Continued)*

The geographical location of customers is based on the location at which the services were provided. The geographical location of the non-current assets is based on the physical location of the asset.

The Group has a large number of customers, and there is no significant revenue derived from specific external customers for the years ended 2011 and 2010.

8. OPERATING PROFIT FROM CONTINUING OPERATIONS

	2011 **HK$'000**	2010 HK$'000
Operating profit is arrived at after charging/(crediting):		
Auditor's remuneration	**500**	500
Exchange (gain)/loss, net	**(3,144)**	1,734
Depreciation	**1,902**	447
Less: Depreciation capitalised in properties under development	**(66)**	(61)
Depreciation charged to income statement	**1,836**	386
Amortisation of prepaid land lease payments	**2,987**	1,618
Employee benefit expense (including directors' emoluments)	**26,558**	27,502
Less: Employee benefit expense capitalised in properties under development	**(20,394)**	(3,185)
Employee benefit expense (including directors' emolument) charged to income statement (note 14)	**6,164**	24,317
Operating leases rentals	**878**	1,250
Gross rental income from investment properties	**(5,175)**	(844)
Less: Direct operating expenses arising from investment properties that generated rental income during the year	**3,099**	2,861
	(2,076)	2,017

9. FINANCE COSTS

	2011 **HK$'000**	2010 HK$'000
Interest charged on bank borrowings wholly repayable within five years	**38,055**	26,775
Interest charged on loans from shareholders	**17,764**	11,601
Interest charged on loan from a related company	**3,120**	–
Total interest	**58,939**	38,376
Less: Interests capitalised in properties under development	**(19,565)**	(26,775)
	39,374	11,601

Interests capitalised during the year are calculated by applying a capitalisation rate of 6.24% (2010: 5.65%) to expenditures on qualifying assets.

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax was provided as the Group had no estimated assessable profits arising in or derived from Hong Kong for the year ended 31 December 2011. Hong Kong profits tax has been provided for at 16.5% on the estimated assessable profit for the year ended 31 December 2010.

Taxes on income arising from subsidiaries in PRC have been calculated based on a statutory rate of 25% as determined in accordance with the relevant PRC income tax rules and regulations for the years ended 31 December 2011 and 2010.

	2011	2010
	HK$'000	HK$'000
Continuing operations		
Deferred income tax – fair value gain on valuation of investment properties in the PRC	**35,398**	317,279
Discontinued operations		
Hong Kong current tax – tax for the year	–	153
	35,398	317,432

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

	2011	2010
	HK$'000	HK$'000
Continuing operations	**68,442**	1,210,927
Discontinued operations	–	5,490
Profit before income tax	**68,442**	1,216,417
Tax at the applicable tax rates, calculated at the rates applicable to profits in the tax jurisdiction concerned	**17,715**	306,114
Tax effect of non-deductible expenses	**3,576**	1,686
Tax effect of non-taxable income	**(97)**	(199)
Tax effect of tax losses not recognised	**14,204**	10,251
Tax effect on temporary differences not recognised	–	19
Utilisation of tax losses previously not recognised	–	(439)
Income tax expense	**35,398**	317,432

11. DISCONTINUED OPERATIONS

On 24 March 2010, the Company announced that it had entered into an agreement with a company wholly owned by Mr. Ng Hung Sang, the Chairman and a substantial shareholder of the Company, for the sale of two shares in Media Bonus Limited and the respective shareholder's loan at a consideration of HK$100,000 subject to the approval of the independent shareholders of the Company. Media Bonus Limited and its subsidiaries (the "Media Bonus Group") are wholly owned subsidiaries of the Company and are engaged in the publication business. Following the sale, the Company ceased to engage in publication business. Please refer to the Company's announcement made on 24 March 2010 and Company's circular issued on 7 June 2010 for further details. The disposal was approved by the independent shareholders of the Company at the extraordinary general meeting held on 13 July 2010 and the transaction was completed on 15 July 2010.

Following the disposal, Media Bonus Group ceased to be subsidiaries of the Company and the publication business which was carried out by the Media Bonus Group became discontinued operations. Results of the Media Bonus Group then ceased to be accounted for in the consolidated financial statements of the Group.

The results from Media Bonus Group during the period are presented below:

	Notes	**For the period from 1 January 2010 to 15 July 2010** HK$'000
Revenue	5	14,611
Direct operating expenses		(6,505)
Other operating income	6	178
Selling and distribution costs		(4,519)
Administrative and other operating expenses		(2,104)
Profit before income tax		1,661
Income tax expenses	10	(153)
Profit for the period		1,508
Gain on disposal of subsidiaries		3,829
Profit from discontinued operations		5,337

	For the period from 1 January 2010 to 15 July 2010 HK$'000
Operating profit is arrived at after charging/(crediting):	
Depreciation	126
Operating leases rentals in respect of rented premises	120
Reversal of impairment loss of trade receivables	(178)

11. DISCONTINUED OPERATIONS *(Continued)*

The net cash flows incurred by the discontinued operations are presented below:

	For the period from 1 January 2010 to 15 July 2010 HK$'000
Operating activities	423
Investing activities	(2)
Net cash inflow	421

12. PROFIT FOR THE YEAR

Of the consolidated profit for the year attributable to equity holders of the Company of HK$23,168,000 (2010: HK$713,604,000), a loss of HK$28,907,000 (2010: HK$12,247,000) has been dealt with in the financial statements of the Company.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company for continuing and discontinued operations is based on the following data:

	2011 **HK$'000**	2010 HK$'000
Profit attributable to owners of the Company, used in the basic earnings per share calculations:		
– continuing operations	**23,168**	708,267
– discontinued operations	**–**	5,337
Profit attributable to owners of the Company from continuing and discounted operations	**23,168**	713,604

	2011	2010
Weighted average number of ordinary shares for the purposes of basic earnings per share calculations	**11,178,498,344**	11,177,845,376
Effect of dilutive potential ordinary shares:		
– share options	**N/A**	440,218
Weighted average number of ordinary shares for the purposes of diluted earnings per share calculations	**N/A**	11,178,285,594

Diluted profit per share for the year ended 31 December 2011 was not presented since the exercise price of the Company's options was higher than the average market price for the year.

14. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2011 HK$'000	2010 HK$'000
Continuing operations		
Wages and salaries	**22,445**	25,184
Pension costs – defined contribution plans	**3,942**	2,250
Equity settled share-based payment expenses	**171**	68
Less: Wages and salaries and pension costs capitalised in properties under development	**(20,394)**	(3,185)
Total employee benefit expense charged to income statement	**6,164**	24,317
Employee benefit expense charged to income statement:		
Wages and salaries	**4,645**	21,999
Equity settled share-based payment expenses	**171**	68
Pension costs – defined contribution plans	**1,348**	2,250
	6,164	24,317
Discontinued operations		
Wages and salaries	**–**	8,605
Pension costs – defined contribution plans	**–**	202
	–	8,807
	6,164	33,124

Included in staff costs are key management personnel compensation and comprises the following categories:

	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	**8,732**	6,240
Pension costs – defined contribution plans	**70**	59
Equity settled share-based payment expenses	**–**	68
	8,802	6,367

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2011 HK$'000	2010 HK$'000
Fees	**235**	235
Other emoluments:		
Salaries, allowances and benefits in kind	**1,080**	1,162
Pension costs – defined contribution plans	**12**	14
Equity settled share-based payment expenses	**–**	68
	1,092	1,244
	1,327	1,479

During the year ended 31 December 2007, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 33(i) to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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

Year ended 31 December 2011

	Fees HK$'000	Salaries and allowances HK$'000	Equity settled share-based payment expenses HK$'000	Pension costs-defined contribution plans HK$'000
Executive directors				
NG Hung Sang	–	–	–	–
NG Yuk Yeung, Paul	–	1,080	–	12
RICHARD Howard Gorges	–	–	–	–
CHEUNG Choi Ngor	–	–	–	–
NG Yuk Fung, Peter	–	–	–	–
Non-executive director				
NG Yuk Mui, Jessica	10	–	–	–
LO Wing Yan, William (note i)	75	–	–	–
Independent non-executive directors				
CHENG Yuk Wo	75	–	–	–
PONG Oi Lan, Scarlett	75	–	–	–
SO Siu Ming, George (note ii)	–	–	–	–
	235	1,080	–	12

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT *(Continued)*

(a) Directors' emoluments *(Continued)*

Year ended 31 December 2010

	Fees HK$'000	Salaries and allowances HK$'000	Equity settled share-based payment expenses HK$'000	Pension costs-defined contribution plans HK$'000
Executive directors				
NG Hung Sang	–	–	–	–
NG Yuk Yeung, Paul	–	1,080	34	12
RICHARD Howard Gorges	–	–	–	–
CHEUNG Choi Ngor	–	–	–	–
NG Yuk Fung, Peter	–	–	34	–
Non-executive director				
NG Yuk Mui, Jessica	10	–	–	–
HUI Ping (note iii)	–	82	–	2
Independent non-executive directors				
LO Wing Yan, William	75	–	–	–
CHENG Yuk Wo	75	–	–	–
PONG Oi Lan, Scarlett	75	–	–	–
	235	1,162	68	14

Note:

(i) Mr. Lo Wing Yan, William has been re-designated from independent non-executive director to non-executive director with effect from 6 September 2011.

(ii) Mr. So Siu Ming, George has been appointed as an independent non-executive director with effect from 23 December 2011.

(iii) Mr. Hui Ping had resigned as non-executive director on 26 February 2010.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one director (2010: one) whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four individuals (2010: four individuals) during the year are as follows:

	2011 **HK$'000**	2010 HK$'000
Salaries, allowances and benefits in kind	**6,752**	5,058
Pension costs – defined contribution plans	**46**	45
	6,798	5,103

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**2**	1
	4	4

During the year, no amount was paid by the Group to the directors or the four (2010: four) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Leasehold improvement HK$'000	Furniture and office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
At 1 January 2010				
Cost	730	3,591	547	4,868
Accumulated depreciation	(719)	(2,242)	(80)	(3,041)
Net book amount	11	1,349	467	1,827
Year ended 31 December 2010				
Opening net book amount	11	1,349	467	1,827
Additions	6	3,052	251	3,309
Disposal of subsidiaries				
– Cost	(544)	(2,398)	–	(2,942)
– Accumulated depreciation	542	1,863	–	2,405
Depreciation	–	(452)	(121)	(573)
Exchange alignment	1	88	23	112
Closing net book amount	16	3,502	620	4,138
At 31 December 2010 and 1 January 2011				
Cost	200	4,234	828	5,262
Accumulated depreciation	(184)	(732)	(208)	(1,124)
Net book amount	16	3,502	620	4,138
Year ended 31 December 2011				
Opening net book amount	16	3,502	620	4,138
Additions	2,791	426	960	4,177
Disposal of subsidiaries				
– Cost	(7)	(239)	(207)	(453)
– Accumulated depreciation	1	21	20	42
Depreciation	(512)	(1,185)	(205)	(1,902)
Exchange alignment	63	112	40	215
Closing net book amount	2,352	2,637	1,228	6,217
At 31 December 2011				
Cost	3,069	4,596	1,634	9,299
Accumulated depreciation	(717)	(1,959)	(406)	(3,082)
Net book amount	2,352	2,637	1,228	6,217

17. PREPAID LAND LEASE PAYMENTS

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	**4,646**	–
Additions	**25,735**	6,299
Amortisation	**(2,987)**	(1,618)
Exchange alignment	**17**	(35)
Disposal of subsidiaries		
– Cost	**(32,022)**	–
– Accumulated amortisation	**4,611**	–
Balance at end of the year	**–**	4,646

The leasehold lands were held under medium term leases and were situated in the PRC.

18. INVESTMENT PROPERTIES

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	**2,663,437**	–
Additions	**110,955**	–
Increase in fair value	**141,593**	1,269,118
Transfer from properties under development	**–**	1,394,319
Exchange alignment	**59,102**	–
Balance at end of the year	**2,975,087**	2,663,437

The fair value of the Group's investment properties as at 31 December 2011 was arrived at on the basis of a valuation carried out at that date by BMI Appraisals Limited, an independent qualified professional valuer not connected to the Group. BMI Appraisals Limited is a member of the Hong Kong Institute of Valuers, and has appropriate qualifications and recent experience in the valuation of properties in the relevant location. The valuation was arrived at using the comparison approach assuming sale with the benefit of vacant possession and by making reference to comparable sales evidences in the relevant market. The revaluation gain is recognised in profit or loss for the year.

As at 31 December 2011 and 2010, the Group's investment properties are pledged to secure certain banking facilities granted to the Group (note 29).

19. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

COMPANY

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost		
Balance at 1 January	**–**	1,108
Disposal of subsidiaries (Note 20)	**–**	(1,108)
Balance at 31 December	**–**	–
Amounts due from subsidiaries	**1,620,869**	1,429,767
Amounts due to subsidiaries	**203,101**	–

The movement in the impairment losses recognised for amounts due from subsidiaries is as follows:

	2011 HK$'000	2010 HK$'000
Balance at 1 January	**–**	16,403
Impairment loss reversed upon disposal of subsidiaries	**–**	(16,403)
Balance at 31 December	**–**	–

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

19. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation and kind of legal entity	Issued and fully paid share capital	Percentage of issued capital held by the Company Directly	Percentage of issued capital held by the Company Indirectly	Principal activities and place of operation
Crystal Hub Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	–	Investment holding, Hong Kong
Ever Talent Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Investment holding, Hong Kong
遼寧大發房地產有限責任公司	The PRC, limited liability company	RMB270,000,000	–	80%	Property development, The PRC
瀋陽利鴻大發商業有限公司	The PRC, limited liability company	RMB5,000,000	–	80%	Property management, The PRC
瀋陽南華鴻基房地產開發有限公司	The PRC, limited liability company	USD49,989,976	–	100%	Property development, The PRC
瀋陽南華鴻泰房地產開發有限公司	The PRC, limited liability company	USD49,725,965	–	100%	Property development, The PRC
Praise Rich Limited ("Praise Rich")	British Virgin Islands, limited liability company	100 ordinary shares of US$1 each	–	100%	Investment holding, Hong Kong
滄州南華房地產開發有限公司	The PRC, limited liability company	RMB10,387,000	–	100%	Property development, The PRC
Grandbase Universal Limited ("Grandbase")	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Investment holding, Hong Kong
Grandland Management Limited ("Grandland")	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Provision of management services for the Group, Hong Kong

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the 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.

20. DISPOSAL OF SUBSIDIARIES

(a) Pursuant to the share purchase agreement dated 11 January 2011 entered between Crystal Hub Limited, a subsidiary of the Company and South China Industries (BVI) Limited, an indirectly wholly-owned subsidiary of South China (China) Limited and a related company of the Group, Crystal Hub Limited had agreed to sell its equity interests in shares of Autowill Limited together with its subsidiaries (the "Autowill Group") and the shareholder's loan to South China Industries (BVI) Limited for a consideration of HK$24.1 million subject to adjustment in accordance with the terms of the agreement. The final consideration as agreed between both parties was approximately HK$20.9 million. Please refer to the Company's announcement made on 11 January 2011 for further details. The transaction was completed on 31 March 2011.

(b) Pursuant to the share purchase agreement dated 28 October 2011 entered between Crystal Hub Limited and South China Strategic (BVI) Limited, an indirectly wholly-owned subsidiary of South China (China) Limited and a related company of the Group, Crystal Hub Limited had agreed to sell its entirely interest in shares of Surplus Access International Limited together with its subsidiaries (the "Surplus Access Group") and the shareholder's loan to South China Strategic (BVI) Limited at a consideration of HK$6.3 million, upon and subject to the terms and conditions set out therein. Please refer to the Company's announcement made on 28 October 2011 for details. The transaction was completed on 30 October 2011.

The net (liabilities)/assets of Autowill Group and Surplus Access Group at the disposal dates during the year ended 31 December 2011 were as follow:

	Autowill Group HK$'000	**Surplus Access Group** HK$'000	**Total** HK$'000
Property, plant and equipment	411	–	411
Prepaid land lease payments	27,411	–	27,411
Inventories	73	–	73
Deposit paid, prepayments and other receivables	1,542	–	1,542
Cash and cash equivalents	8,031	6,332	14,363
Other payables and accrued expenses	(5,344)	–	(5,344)
Amount due to ultimate holding company	(36,800)	(6,000)	(42,800)
Total consideration	(4,676)	332	(4,344)
Satisfied by:			
Cash	20,976	6,332	27,308
Purchase of shareholders' loans	(25,652)	(6,000)	(31,652)
	(4,676)	332	(4,344)
Net cash inflow arising on disposal			
Cash consideration	20,976	6,332	27,308
Cash and cash equivalents disposed of	(8,031)	(6,332)	(14,363)
	12,945	–	12,945

20. DISPOSAL OF SUBSIDIARIES *(Continued)*

(c) As referred to in note 11, on 15 July 2010, the Group disposed of the Media Bonus Group which was engaged in the publication business (Note 11).

The net assets of Media Bonus Group at the disposal date during the year ended 31 December 2010 were as follows:

	Media Bonus Group
	HK$'000
Property, plant and equipment	537
Trade and other receivables	4,660
Cash and cash equivalents	1,190
Trade and other payables	(7,305)
Amount due to ultimate holding company	(15,767)
Amounts due to related companies	(2,811)
	(19,496)
Gain on disposal of subsidiaries (note 11)	3,829
Total consideration	(15,667)
Satisfied by:	
Cash	100
Purchase of shareholders' loans	(15,767)
	(15,667)
Net cash outflow arising on disposal	
Cash consideration	100
Cash and cash equivalents disposed of	(1,190)
	(1,090)

21. GOODWILL

GROUP

The net carrying amount of goodwill can be analysed as follow:

	2011 **HK$'000**	2010 HK$'000
At 1 January and 31 December		
Gross and net carrying amount	**355,326**	355,326

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating units of property investment and development.

The recoverable amount for the cash generating units was determined based on the value-in-use calculations, covering a detailed five-year budget plan which represents the business cycle and strategy plan of the Group's property investment and development segment, followed by an extrapolation of expected cash flows at the growth rates stated below. The growth rates reflect the long-term, average growth rates for the cash generating units.

The key assumptions used for value-in-use calculations are growth rate of 5% (2010: 5%) and discount rate of 7% (2010: 7%) per annum. The key assumptions have been determined based on past performance and expectations for the market development after taking into consideration published market forecast and research. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rate used is pre-tax rate and reflects specific risks relating to the relevant segment.

Apart from the considerations described in determining the value-in-use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the key estimates are particularly sensitive to the market development.

22. PROPERTIES UNDER DEVELOPMENT

GROUP

	2011 HK$'000	2010 HK$'000
Leasehold interests in land located in the PRC, at cost	**3,400**	3,267
Development costs and other direct attributable expenses capitalised	**71,522**	12,261
	74,922	15,528

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	**15,528**	1,156,237
Additions	**38,735**	200,085
Interest capitalised	**19,565**	26,775
Transfer to investment properties (Note)	**–**	(1,394,319)
Effect of foreign currency exchange differences	**1,094**	26,750
Balance at end of the year	**74,922**	15,528

Note:

During the year ended 31 December 2010, the directors changed the intended use of certain properties under development with cost of HK$1,394,319,000 to held for rental and capital appreciation. According to the condition for transfer of properties held for sale in the ordinary course of business to investment properties contained in HKAS 40 "Investment Property", the Group reclassified all the carrying value of construction cost and the leasehold interests in land incurred in respect of those properties from properties under development to investment properties according to HKAS 40. The carrying value, being the fair value of those properties under development at the date of transfer was HK$2,663,437,000. The transfer of properties under development to investment properties resulted in a fair value gain of HK$1,269,118,000, which was credited to the consolidated income statement for the year ended 31 December 2010.

23. TRADE RECEIVABLES

GROUP

	2011 HK$'000	2010 HK$'000
Trade receivables – net	**95**	141

The Group allows a credit period of 30 days to its trade customers. The following is the ageing analysis, based on invoice date, of net trade receivables at the reporting date:

	2011 HK$'000	2010 HK$'000
Within 30 days	**95**	141

The carrying amount of the trade receivables is considered a reasonable approximation of fair value as this financial asset, which is measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

At each reporting date, the Group's trade receivables are individually determined to be impaired. The individually impaired receivables, if any, are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised if the amount is determined to be irrecoverable. The impairment provision will be written off against the trade receivables directly. The Group does not hold any collateral over these balances.

The movement in the provision for impairment of trade receivables is as follows:

	2011 HK$'000	2010 HK$'000
Balance at 1 January	–	1,131
Reversal of impairment loss recognised	–	(178)
Disposal of subsidiaries	–	(953)
Balance at 31 December	–	–

Trade receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default.

None of the trade receivables are past due as at 31 December 2011 and 2010.

24. DEPOSITS PAID, PREPAYMENTS AND OTHR RECEIVABLES

GROUP

	2011 HK$'000	2010 HK$'000
Deposits paid for land use rights in the PRC	**630,364**	428,660
Prepayments	**10,853**	4,245
Other receivables	**14,475**	7,989
	655,692	440,894
Classified as non-current	**–**	(428,660)
Current portion	**655,692**	12,234

Other receivables of the Group are neither past due nor impaired, and their carrying amounts approximate to their fair values.

25. BALANCES WITH A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND A RELATED COMPANY

GROUP

Balances with a non-controlling shareholder of a subsidiary and a related company are unsecured, interest free and repayable on demand.

26. CASH AND CASH EQUIVALENTS

GROUP

As at 31 December 2011, the Group has cash and cash equivalents denominated in Renminbi ("RMB") of approximately HK$14,386,000 (2010: HK$42,662,000) deposited with the banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC 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 that are authorised to conduct foreign exchange business.

As at 31 December 2011, the Group has no cash and cash equivalents denominated in HK$ and RMB (2010: HK$28,417,000 and HK$8,000 respectively) restricted only for the purpose of construction related payment by a bank as the bank provided mortgage loan to the Group.

COMPANY

The Company does not have cash and cash equivalents denominated in RMB as at 31 December 2011 (2010: Nil).

27. TRADE PAYABLES

GROUP

The followings are the ageing analysis of trade payables at the reporting date:

	2011	2010
	HK$'000	HK$'000
Within 30 days	**56,002**	3,510
31 – 60 days	**216**	520
61 – 90 days	**–**	174
91 – 180 days	**1,703**	1,935
Over 180 days	**21,480**	1,797
	79,401	7,936

28. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

GROUP

	2011	2010
	HK$'000	HK$'000
Other payables	**116,761**	28,783
Accrued expenses	**32,665**	12,200
Receipts in advance	**32,158**	15,954
	181,584	56,937

COMPANY

	2011	2010
	HK$'000	HK$'000
Other payables	**89**	–
Accrued expenses	**28,105**	11,620
	28,194	11,620

29. BANK BORROWINGS

GROUP

	2011 HK$'000	2010 HK$'000
Bank loans – secured		
Bank loans repayable:		
– Within one year	**12,319**	578,254
– In the second to fifth years, inclusive	**580,813**	–
	593,132	578,254
Less: Portion classified as current liabilities	**(12,319)**	(578,254)
Non-current portion	**580,813**	–

At 31 December 2011, the bank borrowings were denominated in HK$ and RMB, repayable within five years and bore interest at floating rates with reference to Hong Kong Interbank Offering Rate and the benchmark inter-bank interest rate of the PRC, ranging from 4.24% to 8.63% per annum, and were secured by the pledge of the investment properties (note 18), pledged bank deposits of approximately HK$32,001,000 and the personal guarantee of a shareholder of the Group.

At 31 December 2010, the bank borrowings were denominated in HK$ and RMB, repayable in full no later than November 2011 and bore interest at floating rates with reference to Hong Kong Interbank Offering Rate and the benchmark inter-bank interest rate of the PRC, ranging from 2.56% to 6.16% per annum, and were secured by the pledge of the investment properties (note 18) of the Group.

The directors of the Company consider that the fair values of the bank borrowings are not materially different from their carrying amounts for the years ended 31 December 2011 and 2010.

30. LOANS FROM SHAREHOLDERS AND A RELATED COMPANY

GROUP AND COMPANY

Loans from shareholders and a related company are unsecured, interest-bearing at the prime lending rate as established from time to time by The Hong Kong and Shanghai Bank Corporation Limited. No repayment is required whether in part or in full on or before 31 December 2012. The directors of the Company consider that the fair values of the loans are not materially different from their carrying amounts for the years ended 31 December 2011 and 2010.

31. DEFERRED TAX LIABILITIES

GROUP

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% and 25.0% (2010: 16.5% and 25.0%).

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current and previous financial years.

	Revaluation of property, plant and equipment HK$'000	Revaluation of investment properties HK$'000	Accelerated tax deprecation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2010	110,971	–	69	(69)	110,971
Recognised in income statement	(110,971)	428,250	(19)	19	317,279
Disposal of subsidiaries	–	–	(50)	50	–
At 31 December 2010 and 1 January 2011	–	428,250	–	–	428,250
Recognised in income statement	–	35,398	–	–	35,398
At 31 December 2011	**–**	**463,648**	**–**	**–**	**463,648**

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2011, the Group has estimated unused tax losses of HK$128,313,000 (2010: HK$92,067,000) were available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams. The amount of estimated tax losses that have no expiry date is approximately HK$35,719,000 (2010: HK$19,689,000) and the remaining tax losses of approximately HK$92,594,000 (2010: HK$72,378,000) are subject to expiry period from one to five years.

32. SHARE CAPITAL

GROUP AND COMPANY

	Notes	2011 Number of shares	2011 HK$'000	2010 Number of shares	2010 HK$'000
Authorised:					
Ordinary shares of HK$0.01 each					
At beginning and end of the year		**100,000,000,000**	**1,000,000**	100,000,000,000	1,000,000
Issued and fully paid:					
Ordinary shares of HK$0.01 each					
At beginning of the year		**11,178,498,344**	**111,785**	11,175,165,010	111,752
Issue of ordinary shares on exercise of share options	(a)	**–**	**–**	3,333,334	33
At 31 December		**11,178,498,344**	**111,785**	11,178,498,344	111,785

Notes:

(a) In March 2010, the issued share capital of the Company was increased by an aggregate amount of HK$33,000 due to the exercise of 3,333,334 share options by the senior management. The total consideration received was approximately HK$722,000 and the balance of approximately HK$689,000 was credited to the share premium account. An amount of approximately HK$889,000 has been transferred from the share option reserve to the share premium account in accordance with the policy set out in note 3.17.

33. SHARE-BASED EMPLOYEE COMPENSATION

(i) Share option scheme

The Company's existing share option scheme (the "Scheme") was adopted on 24 June 2002 and became effective on 18 July 2002. Particulars of the Scheme as required under the GEM Listing Rules are set out below:

(a) *Summary of the Scheme*

(i) Purpose of the Scheme

The purpose of the Scheme is to recognise and motivate the contribution of the Employees (as defined in sub-section headed "Participants of the Scheme" below) and other person(s) who may make a contribution to the Group and to provide incentives and help the Company in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

(ii) Participants of the Scheme

The board of directors of the Company (the "Board") or a duly authorised committee thereof, may, at its discretion, grant options to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of the Group (the "Employees"), adviser, consultant, contractor, client or supplier who have contributed to the Group (collectively the "Participants"), to subscribe for shares of HK$0.01 each in the share capital of the Company ("Shares") in accordance with the provisions of the Scheme.

(iii) Total number of Shares available for issue under the Scheme

The total number of Shares available for issue under the share options, which may be granted under the Scheme shall not exceed 1,117,849,834 Shares, being 10% of the total number of Shares in issue.

During the year ended 31 December 2011 and 2010, no share option was granted under the Scheme.

(iv) Maximum entitlement of each participant

No Participant shall be granted an option if total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 month period up to the date of grant to such Participant would exceed 1% of the Shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

(v) Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

33. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(i) Share option scheme *(Continued)*

(a) Summary of the Scheme (Continued)

(vi) Minimum period, if any, for which an option must be held before it can be exercised

At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

(vii) Amount payable upon acceptance of the option and the period within which the payment must be made

HK$1.00 shall be paid within 5 business days from the date of offer of the option.

(viii) Basis of determining the exercise price of the option

The exercise price for Shares under the Scheme shall be a price determined by the Board, but in any case will not be less than the highest of:

(1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

(2) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

(3) the nominal value of a Share.

(ix) Remaining life of the Scheme

Subject to early termination of the Scheme pursuant to the terms thereof, the Scheme shall be valid and effective for a period of 10 years commencing from the date on which the Scheme becomes effective, i.e. 18 July 2002 and ending on 17 July 2012.

33. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(i) Share option scheme *(Continued)*

(b) *Details of share options granted or outstanding*

Particulars and movements of the outstanding share options granted under the Scheme during the years ended 31 December 2011 and 2010 are as follows:

	2011											
	Number of share options								Price of shares			
Name and category of participant	Balance as at 01/01/2011	Granted during the year	Exercise during the year	Lapsed during the year	Cancelled during the year	Balance as at 31/12/2011	Date of grant of share option (Note i)	Exercisable periods of share options	Exercise price per share option	Immediately preceding the grant date of share option (Note ii)	Immediately preceding the exercise date of share option (Note iii)
									HK$	HK$	HK$
Directors											
Ng Yuk Yeung, Paul	3,333,333	–	–	(1,666,667)	–	1,666,666	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A
Ng Yuk Fung, Peter	3,333,333	–	–	(1,666,667)	–	1,666,666	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A
Sub-total	6,666,666	–	–	(3,333,334)	–	3,333,332					
Others											
In aggregate	333,334	–	–	–	–	333,334	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A
	2,000,000	–	–	(1,000,000)	–	1,000,000	02/04/2007	02/04/2008 to 01/04/2012	0.3150	0.20	N/A
	666,666	–	–	(666,666)	–	–	10/05/2007	10/05/2008 to 09/05/2012	0.3100	0.20	N/A
Sub-total	3,000,000	–	–	(1,666,666)	–	1,333,334					
Total	**9,666,666**	**–**	**–**	**(5,000,000)**	**–**	**4,666,666**					

33. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(i) Share option scheme *(Continued)*

(b) *Details of share options granted or outstanding (Continued)*

2010

Name and category of participant	Number of share options: Balance as at 01/01/2010	Granted during the year	Exercise during the year	Lapsed during the year	Cancelled during the year	Balance as at 31/12/2010	Date of grant of share option (Note i)	Exercisable periods of share options	Price of shares: Exercise price per share option HK$	Immediately preceding the grant date of share option (Note ii) HK$	Immediately preceding the exercise date of share option (Note iii) HK$
Directors											
Ng Yuk Yeung, Paul	5,000,000	–	(1,666,667)	–	–	3,333,333	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	0.29
Ng Yuk Fung, Peter	5,000,000	–	(1,666,667)	–	–	3,333,333	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	0.285
Sub-total	10,000,000	–	(3,333,334)	–	–	6,666,666					
Others											
In aggregate	333,334	–	–	–	–	333,334	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A
	3,000,000	–	–	(1,000,000)	–	2,000,000	02/04/2007	02/04/2008 to 01/04/2012	0.3150	0.20	N/A
	666,666	–	–	–	–	666,666	10/05/2007	10/05/2008 to 09/05/2012	0.3100	0.20	N/A
Sub-total	4,000,000	–	–	(1,000,000)	–	3,000,000					
Total	**14,000,000**	**–**	**(3,333,334)**	**(1,000,000)**	**–**	**9,666,666**					

33. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(i) Share option scheme *(Continued)*

(b) *Details of share options granted or outstanding (Continued)*

Notes:

(i) All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	Exercisable percentage
Within 12 months	Nil
13th – 36th months	33 1/3%
25th – 48th months	33 1/3%
37th – 60th months	33 1/3%

(ii) The price of the shares disclosed as immediately preceding the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.

(iii) The weight average closing price of the shares immediately before the date on which the options are exercised.

(iv) The fair values of share options granted under the Scheme on 14 March 2007, 2 April 2007 and 10 May 2007 and measured at the respective dates of grant were approximately HK$2,199,999, HK$945,000 and HK$619,999 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	14 March 2007	2 April 2007	10 May 2007
Expected volatility	457%	461%	474%
Expected life (in years)	5.0	5.0	5.0
Risk free interest rate	4.2%	4.2%	4.2%
Expected dividend yield	Nil	Nil	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

(v) For the year ended 31 December 2011, no employee compensation expense has been recognised in income statement (2010: HK$68,000) with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.

33. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(i) Share option scheme *(Continued)*

(b) *Details of share options granted or outstanding (Continued)*

(vi) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2011		2010	
	Number	**Weighted average exercise price** HK$	**Number**	**Weighted average exercise price** HK$
Balance at 1 January	9,666,666	0.238	14,000,000	0.242
Exercised	–	–	(3,333,334)	0.243
Lapsed	(5,000,000)	0.249	(1,000,000)	0.315
Balance at 31 December	4,666,666	0.227	9,666,666	0.238

The options outstanding at 31 December 2011 had an exercise prices of HK$0.2166 to HK$0.3150 (2010: HK$0.2166 to HK$0.3150) and a weighted average remaining contractual life of 1 year (2010: 2 years).

(ii) Share award scheme

A share award scheme (the "Share Award Scheme") was adopted by the Board of the Company on 18 March 2011 (the "Adoption Date"). The specific objectives of the Share Award Scheme are to recognise the contributions by certain employees of the Group and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for the development of the Group.

The Board may, from time to time, at its sole discretion select any employee (the "Selected Employee") of any member of the Group for participation in the Share Award Scheme and determine the number of awarded shares to be awarded to the Selected Employees by taking into consideration matters including the general financial condition of the Group and the rank and performance of the relevant Selected Employee.

The Company shall settle a sum of up to and not exceeding HK$20,000,000 from the Adoption Date for the purpose of purchase of such number of shares and/or other shares (as the case maybe) to be awarded by the Board to the Selected Employee(s) under the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date provided that no further settlement of the amount shall be made on or after 10th anniversary date of the Adoption Date.

Details of the Share Award Scheme are set out in the Company's announcement dated 18 March 2011.

In accordance with the Share Award Scheme, the Awards shall be released subject to the vesting periods ranged from 18 months to 24 months from the date of grant of the awards.

33. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(ii) Share award scheme *(Continued)*

The fair value of the share awards granted under the Share Award Scheme during the year is approximately HK$1,365,042 and measured at the respective dates of grant. Fair value of an award at the grant date is determined by reference to the market price immediately available before the grant date. The share-based payment expenses for the Company's shares and other shares recognised in profit or loss according to the vesting periods are approximately HK$82,000 and HK$89,000 respectively for the year ended 31 December 2011. No share was released under the Share Award Scheme for the year ended 31 December 2011.

Awards granted of the Company's shares during the year ended 31 December 2011 are as follows:

Name or category of participant	Date of grant	Awards granted during the year	Aggregate Awards forfeited during the year	Aggregate Awards released during the year	Balance as at 31/12/2011
Employees in aggregate	11/4/2011	736,000	(736,000)	–	–
	12/4/2011	736,000	–	–	736,000
	19/7/2011	1,488,000	(736,000)	–	752,000
	28/11/2011	1,504,000	–	–	1,504,000
Total		**4,464,000**	**(1,472,000)**	**–**	**2,992,000**

Awards granted of the other Company's shares during the year ended 31 December 2011 are as follows:

Name or category of participant	Date of grant	Awards granted during the year	Aggregate Awards forfeited during the year	Aggregate Awards released during the year	Balance as at 31/12/2011
Employees in aggregate	11/4/2011	216,000	(216,000)	–	–
	12/4/2011	216,000	–	–	216,000
	19/7/2011	448,000	(216,000)	–	232,000
	28/11/2011	464,000	–	–	464,000
Total		**1,344,000**	**(432,000)**	**–**	**912,000**

34. RESERVES

GROUP

The amount of the Group's reserves and the movements therein for the current and previous years are presented in the consolidated statement of changes in equity on page 29.

COMPANY

	Share premium	Capital reserve	Capital contribution reserve	Employee compensation reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	770,264	652	276,375	3,059	(84,003)	966,347
Contribution from shareholder	–	–	15,187	–	–	15,187
Exercise of share options	1,578	–	–	(889)	–	689
Lapse of share options	–	–	–	(420)	420	–
Recognition of equity settled share-based compensation	–	–	–	68	–	68
Loss for the year	–	–	–	–	(12,247)	(12,247)
At 31 December 2010 and 1 January 2011	771,842	652	291,562	1,818	(95,830)	970,044
Lapse of share options	–	–	–	(1,150)	1,150	–
Recognition of equity settled share-based compensation	–	–	–	82	(82)	–
Loss for the year	–	–	–	–	(28,907)	(28,907)
At 31 December 2011	771,842	652	291,562	750	(123,669)	941,137

The Company's reserves available for distribution represent the share premium, capital reserve, capital contribution reserve, employee compensation reserve and accumulated losses. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2011 amounted to approximately HK$941,137,000 (2010: HK$970,044,000).

35. OPERATING LEASE COMMITMENTS

GROUP

(a) *As lessor*

The Group leases its investment property under operating lease arrangements with leases negotiated for terms ranging from 1 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

As at 31 December 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2011 HK$'000	2010 HK$'000
Within one year	–	21,971
In the second to fifth years, inclusive	–	55,779
Over five years	–	1,532
	–	79,282

(b) *As lessee*

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

	2011 HK$'000	2010 HK$'000
Within one year	701	890
In the second to fifth years, inclusive	179	339
	880	1,229

COMPANY

At 31 December 2011, the Company does not have any significant operating lease commitments (2010: Nil).

36. CAPITAL COMMITMENTS

GROUP

	2011 HK$'000	2010 HK$'000
Contracted but not provided for:		
– Expenditure in respect of investment properties/ properties under development	**1,725**	105,343
– Expenditure in respect of leasehold interest in land	**1,566,699**	1,688,920
– Investment in equity interest	**130,483**	11,601
	1,698,907	1,805,864

Payment in respect of leasehold interest in land is dependent on the progress of reallocation of existing tenants and abolishment work. Based on the current status, the directors expect no significant payments will be required in fiscal year 2012.

For the project of Huanghua Port (黃驊港), the Group's estimated cost for building infrastructure would be in the region of RMB1 billion. Based on the current status, the directors expect no payment will be required in fiscal year 2012.

COMPANY

As at 31 December 2011, the Company does not have any significant capital commitments (2010: Nil).

37. CONTINGENT LIABILITIES

GROUP AND COMPANY

As at 31 December 2011, the Group and the Company do not have any significant contingent liabilities (2010: Nil).

38. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, during the year, the Group had significant related party transactions.

(a) Details of these transactions are as follows:

		2011 HK$'000	2010 HK$'000
(i)	Purchase of services – Colour separation and photo processing fees paid to a fellow subsidiary	–	46
(ii)	Operating lease expenses paid to a fellow subsidiary	–	120
(iii)	Interest expenses paid to shareholders	**17,764**	11,601
(iv)	Interest expenses paid to a related company	**3,120**	–

(b) Details of the balances with related parties at the reporting date are included in notes 19, 25 and 30 to the financial statements.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and the related companies controlled by the directors.

39. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the Group's management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk, credit risk and liquidity risk. The Group's exposure to these risks is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group's financial assets include cash and cash equivalents, pledged bank deposits, trade and other receivables and amount due from a non-controlling shareholder of a subsidiary. The Group's financial liabilities include trade and other payables, bank borrowings, amount due to a related company, loans from shareholders and a related company.

(a) Foreign currency risk

The Group has no significant foreign currency risk due to its limited foreign currency trade related transactions during the year and immaterial foreign currency denominated monetary assets and liabilities as at the reporting date.

39. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Interest rate risk

As the Group has no significant interest-bearing assets other than cash and cash equivalents, pledged bank deposits, the income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from bank borrowings, loans from shareholders and a related company. These borrowings carry at variable rates expose the Group to cash flow interest rate risk.

The Group's objective is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

The following table demonstrates the sensitivity at the reporting date to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate net borrowings).

Group

	Increase/decrease in interest rate	Effect on profit before income tax and retained earnings
	%	HK$'000
2011		
RMB	**+/− 0.5**	**(2,902)**
2010		
RMB	+/− 0.5	(2,531)

(c) Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2011	2010
	HK$'000	HK$'000
Classes of financial assets – carrying amounts		
Trade receivables	**95**	141
Other receivables	**14,475**	7,989
Amount due from a non-controlling shareholder of a subsidiary	**52,923**	50,877
Pledged bank deposits	**32,001**	–
Cash and cash equivalents	**59,062**	100,769
	158,556	159,776

The Group continuously monitors defaults of customers and other counterparties, identifies either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

39. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Credit risk *(Continued)*

The Group's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(d) Liquidity risk

Group

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 December 2010 and 2011, the Group's financial liabilities have contractual maturities based on contractual undiscounted cash flows and are summarised below:

	Less than 1 year HK$'000	**Over 1 year** HK$'000	**Total undiscounted cash flow** HK$'000
At 31 December 2011			
Trade payables	79,401	–	79,401
Other payables	116,761	–	116,761
Loan from a related company	–	81,900	81,900
Loans from shareholders	–	523,750	523,750
Bank borrowings	13,382	626,529	639,911
	209,544	1,232,179	1,441,723
At 31 December 2010			
Trade payables	7,936	–	7,936
Other payables	28,783	–	28,783
Amount due to a related company	721	–	721
Loans from shareholders	–	353,137	353,137
Bank borrowings	608,590	–	608,590
	646,030	353,137	999,167

39. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

Company

	Less than 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000
At 31 December 2011			
Other payables	89	–	89
Amounts due to subsidiaries	203,101	–	203,101
Loans from shareholders	–	353,535	353,535
	203,190	353,535	556,725
At 31 December 2010			
Loans from shareholders	–	353,137	353,137
	–	353,137	353,137

(e) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2011 and 2010 may be categorised as follows. See notes 3.11 and 3.18 for explanations about how the category of financial instruments affects their subsequent measurement.

Group

(i) Financial assets

	2011 HK$'000	2010 HK$'000
Loans and receivables:		
Trade receivables	**95**	141
Other receivables	**14,475**	7,989
Amount due from a non-controlling shareholder of a subsidiary	**52,923**	50,877
Pledged bank deposits	**32,001**	–
Cash and cash equivalents	**59,062**	100,769
	158,556	159,776

39. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Summary of financial assets and liabilities by category *(Continued)*

Group (Continued)

(ii) Financial liabilities

	2011 HK$'000	2010 HK$'000
Financial liabilities at amortised cost:		
Trade payables	**79,401**	7,936
Other payables	**116,761**	28,783
Amount due to a related company	**–**	721
Loan from a related company	**78,000**	–
Bank borrowings	**593,132**	578,254
Loans from shareholders	**498,810**	336,321
	1,366,104	952,015

Company

(iii) Financial assets

	2011 HK$'000	2010 HK$'000
Loans and receivables:		
Amounts due from subsidiaries	**1,620,869**	1,429,767
Cash and cash equivalents	**48**	3
	1,620,917	1,429,770

(iv) Financial liabilities

	2011 HK$'000	2010 HK$'000
Financial liabilities at amortised cost:		
Other payables	**89**	–
Amount due to a related company	**203,101**	–
Loans from shareholders	**336,700**	336,321
	539,890	336,321

40. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The capital-to-overall financing ratio at reporting date was as follows:

	2011 **HK$'000**	2010 HK$'000
Capital		
Total equity	**2,316,750**	2,227,337
Overall financing		
Bank borrowings	**593,132**	578,254
Loan from a related company	**78,000**	–
Loans from shareholders	**498,810**	336,321
	1,169,942	914,575
Capital-to-overall financing ratio	**198%**	244%

41. POST BALANCE SHEET EVENT

Save as disclosed elsewhere in these consolidated financial statements the Group has the following significant post balance sheet event:

On 2 November 2011, Crystal Hub Limited entered into an agreement as the grantor with Green Orient Investments Limited, an indirect wholly-owned subsidiary of South China (China) Limited, as the grantee for the exclusive right to manage the investment properties of the Group, at the basic fee of RMB80 million per annum (plus performance fee) for a term of one year which is renewable annually at the option of the grantee until 31 December 2026. The transaction was approved by the independent shareholders of the Company at the extraordinary general meeting held on 6 January 2012.

Summary of Financial Information

For the year ended 31 December 2011

FINANCIAL RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue					
Continuing operations	**5,175**	844	–	–	–
Discontinued operations	**–**	14,611	21,772	31,994	30,741
	5,175	15,455	21,722	31,994	30,741
Profit/(loss) from operations					
Continuing operations	**107,816**	1,222,528	(30,121)	(11,278)	(6,437)
Discontinued operations	**–**	1,661	(4,791)	(993)	2,031
	107,816	1,224,189	(34,912)	(12,271)	(4,406)
Finance costs					
Continuing operations	**(39,374)**	(11,601)	(18,392)	(28,089)	(17,791)
Discontinued operations	**–**	–	–	–	–
	(39,374)	(11,601)	(18,392)	(28,089)	(17,791)
Profit/(loss) before taxation					
Continuing operations	**68,442**	1,210,927	(48,513)	(39,367)	(24,228)
Discontinued operations	**–**	1,661	(4,791)	(993)	2,031
	68,442	1,212,588	(53,304)	(40,360)	(22,197)
Income tax expense					
Continuing operations	**(35,398)**	(317,279)	–	–	–
Discontinued operations	**–**	(153)	–	–	–
	(35,398)	(317,432)	–	–	–
Profit/(loss) for the year					
Continuing operations	**33,044**	893,648	(48,513)	(39,367)	(24,228)
Discontinuing operations	**–**	5,337	(4,791)	(993)	2,031
	33,044	898,985	(53,304)	(40,360)	(22,197)
Attributable to					
Equity holders	**23,168**	713,604	(48,526)	(38,862)	(20,881)
Non-controlling interest	**9,876**	185,381	(4,778)	(1,498)	(1,316)
	33,044	898,985	(53,304)	(40,360)	(22,197)
Assets and liabilities and non-controlling interest					
Total assets	**4,211,325**	3,635,756	1,782,817	1,467,946	1,206,249
Total liabilities	**(1,894,575)**	(1,408,419)	(525,044)	(1,187,953)	(930,599)
Non-controlling interest	**(360,579)**	(344,745)	(151,978)	(118,893)	(112,491)
	1,956,171	1,882,592	1,105,795	161,100	163,159

Details of Properties

INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Location	Type	Stage of completion	Anticipated completion date	Group's attributable interest	Approximate gross floor area	Approximate site area
Fortuna Plaza, a development site located at the Western side of Zhaoyang Street, Shenhe District, Shenyang, Liaoning Province, the PRC	Commercial	Business commenced during the year	–	80%	117,200 sq.m.	21,893.5 sq.m.
Relocation project in Zhongjie	Residential	Main body of building	2012	70%	9,956 sq.m.	6,147 sq.m.