Robust Prosperity
on Solid Foundation

Annual Report 2011

中國海外宏洋集團有限公司
CHINA OVERSEAS GRAND OCEANS GROUP LTD.

Stock Code : 00081

Contents

Corporate and Shareholders' Information

CORPORATE INFORMATION

Registered Office

Suite 3012, 30/F, One Pacific Place
88 Queensway, Hong Kong

Telephone	:	(852) 2918 5181
Facsimile	:	(852) 2918 5199
Website	:	www.cogogl.com.hk

COMPANY SECRETARY

Chong Wai Sang, Edmond

REGISTRAR

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

Telephone	:	(852) 2980 1333
Facsimile	:	(852) 2810 8185
E-mail	:	is-enquiries@hk.tricorglobal.com

LEGAL ADVISOR

Mayer•Brown JSM

AUDITOR

BDO Limited
Certified Public Accountants

PRINCIPAL BANKERS

(In Alphabetical Order)
Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of Communication Co., Ltd., Hong Kong Branch
Bank of Shanghai Co. Ltd.
China Construction Bank Corporation
China Merchants Bank Co., Ltd.
DBS Bank Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Wing Lung Bank Limited

STOCK CODE

Shares

Stock Exchange	:	00081
Bloomberg	:	81:HK
Reuters	:	0081.HK

SHAREHOLDERS' INFORMATION

Share Listing

The Company's shares are listed on the Stock Exchange.

Ordinary Shares (as at 31 December 2011)

Shares outstanding	1,521,493,263 shares
Nominal value	HK$0.01 per share
Market capitalization	HK$10,346,154,188

INVESTOR RELATIONS

For any enquiries, please contact:
Mr. He Chen, Corporate Communications Department

Telephone	:	(852) 2862 5071
Facsimile	:	(852) 2529 9211
E-mail	:	chen_he@cohl.com

PUBLIC RELATIONS

For any enquiries, please contact:
Ms. Jane Kun, Corporate Communications Department

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E-mail	:	jane_kun@cohl.com

FINANCIAL CALENDAR

2011 annual results announcement	28 February 2012
Book closure period	29 – 30 May 2012 (both days inclusive)
Annual general meeting	30 May 2012
Book closure period	5 June 2012
Payment of final dividend and dispatch of bonus share certificates	on or about 28 June 2012
Financial year end	31 December 2012

Board of Directors, Honourable Chairman and Committees

HONOURABLE CHAIRMAN

Kong Qingping #

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Hao Jian Min

EXECUTIVE DIRECTORS

Chen Bin	*Chief Executive Officer*
Yu Shangyou	
Xiang Hong	
Wang Man Kwan, Paul	(appointed on 11 July 2011)
Zhu Bing Kun	(resigned on 11 July 2011)

NON-EXECUTIVE DIRECTOR

Yung Kwok Kee, Billy	*Vice Chairman*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chung Shui Ming, Timpson
Lam Kin Fung, Jeffrey
Lo Yiu Ching, Dantes

AUTHORIZED REPRESENTATIVES

Hao Jian Min	
Yu Shangyou	
Chen Bin	*(Alternate Authorized Representative to Hao Jian Min)*
Xiang Hong	*(Alternate Authorized Representative to Yu Shangyou)*

AUDIT COMMITTEE

Chung Shui Ming, Timpson*
Lam Kin Fung, Jeffrey
Lo Yiu Ching, Dantes

REMUNERATION COMMITTEE

Lam Kin Fung, Jeffrey*
Hao Jian Min
Yung Kwok Kee, Billy
Chung Shui Ming, Timpson
Lo Yiu Ching, Dantes

NOMINATION COMMITTEE

Hao Jian Min*
Chung Shui Ming, Timpson
Lam Kin Fung, Jeffrey
Lo Yiu Ching, Dantes

not a director of the Company
* *Committee Chairman*

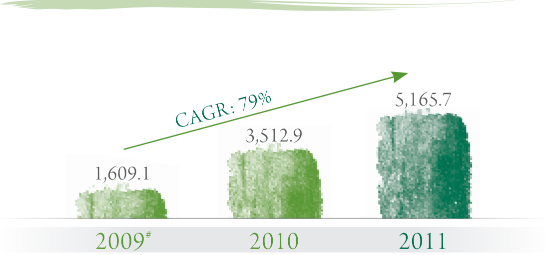
Financial Highlights

For the year ended 31 December	2011	2010	Change
Key Profit and Loss Items (HK$ Million)			
Revenue	**5,165.7**	3,512.9	47.0%
Gross profit	**2,995.6**	1,563.0	91.7%
Gross margin	**58.0%**	44.5%	13.5%
Profit attributable to owners of the Company	**1,815.4**	1,001.1	81.3%
Net margin	**35.1%**	28.5%	6.6%

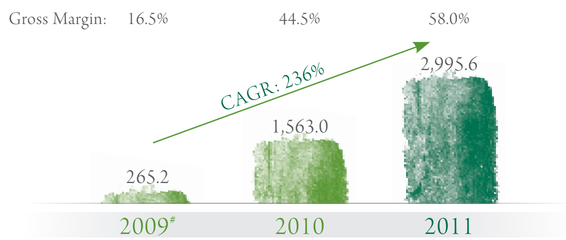
As at 31 December	2011	2010	Change
Key Statement of Financial Positions Items (HK$ Million)			
Inventories of properties	**12,392.9**	5,068.4	144.5%
Sales deposits received	**3,786.6**	1,876.7	101.8%
Cash reserves	**2,826.4**	2,228.0	26.9%
Total borrowings	**4,002.7**	2,247.5	78.1%
Net debts	**1,176.3**	19.5	59.2x
Equity attributable to owners of the Company	**5,146.0**	2,675.4	92.3%
Net gearing	**22.9%**	0.7%	22.2%

Financial Year	2011	2010	Change
Return to shareholders			
Return on equity	**46.4%**	49.3%	-2.9%
Earnings per share (HK cents)	**125.0**	93.3^	34.0%
Dividends per share (HK cents)	**5**	10	n.a.*

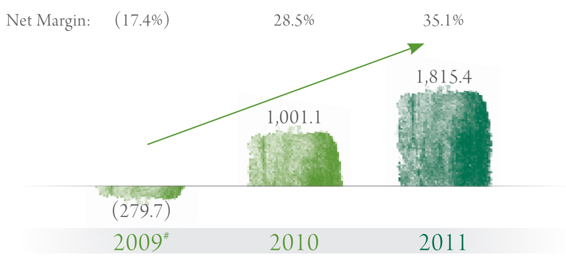
Revenue (HK$Million)



Gross Profit (HK$Million)



Profit Attributable to Owners of the Company (HK$Million)



^ restated

* not comparable due to issuance of bonus shares in 2011

\# the 2009 figures are based on the re-presented or re-stated comparative figures disclosed in the audited consolidated financial statements for the year ended 31 December 2010

Note: Formula of certain financial information as set out above are presented on page 140 for easy reference.

Chairman's Statement

OUR VISION
EXPANDING

The Group is visionary to become a high-growth star property developer of the highest potential in the PRC residential property market, accompanying with good customer satisfaction and company goodwill.


Hohhot – The Arch

MR. HAO JIAN MIN

Chairman and Non-executive Director

INTRODUCTION

I am pleased to present the annual results of the Group for the year ended 31 December 2011. With recognized revenue of HK$5,165.7 million, profit attributable to the equity shareholders of the Company was HK$1,815.4 million. These represent increments of 47.0% and 81.3% respectively against last year. Basic earnings per share was HK125.0 cents (2010 restated: HK93.3 cents).

Contracted sales for the year was HK$7,687.0 million for an aggregated sold area of 372,765 sq.m., an increase of 86.6% and 50.5% respectively comparing with last year.

In line with China's progressive economic development and implementation of the urbanization policy, the Group's operation has also made good progress with stable growth. During the fiscal year 2011, the Group has further penetrated into four third-tier cities in PRC including Jilin, Hefei, Nanning and Lanzhou. It has also made a success in buying out the joint venture partners' 55.5% stakes in the Tonghui River project in Beijing. As of 31 December 2011, the Group has operated in ten cities in the PRC with a land bank reached 6,445,200 sq.m..

The Company has also completed the issuance of 246,785,579 consideration shares in February and May 2011 for the acquisition of the 30% minority interest in China Overseas Grand Oceans Property Group Co., Ltd. ("COGO"), a wholly-foreign-owned enterprise incorporated in the PRC.

PROPOSED FINAL DIVIDEND AND BONUS ISSUE

After reviewing the result performance for the year and working capital requirements for the Group's future expansion of its business, the Board recommended the payment of a final dividend of HK5.0 cents per share (2010: HK10.0 cents per share) for the year ended 31 December 2011. As there was no interim dividend (2010: Nil), total dividends will amount to HK5.0 cents per share (2010: HK10.0 cents per share) for the financial year.

In recognition of the continual support of the shareholders of the Company, the Board proposes a bonus issue of 1 bonus share for every 2 existing shares held. The bonus shares to be issued will rank pari passu in all respects with the existing shares of the Company except that they are not entitled to the proposed final dividend for the year ended 31 December 2011. The Board believes that the bonus issue will enhance the liquidity of the shares of the Company in the market and thereby enlarging the shareholder and capital base.

PROSPECTS

The Economy

The western economies were still confronted with various difficulties and setback in 2011. While the Euro economies are embarrassed by the unresolved sovereign debts issues and credit downgrading, the US market is still under slow recovery. With the backdrop of such uncertain development of the major economies, common consensus for the outlook under such complicated conditions would remain dim and recessionary, especially for the Euro region.

The chain effect filtered through the global monetary and trading system has further weakened China's exports. In China, the GDP growth rate for 2011 has reduced to 9.2%, comparing to 10.4% (revised) last year. On the other hand, the macroscopic contracting monetary policy also started to take effects country-wise. While the annual CPI of 5.4% is still higher than the year target of 4% and 3.3% last year, however, inflationary pressure has been relieved from its peak in the middle of the year in PRC and started to decrease. And in anticipation of these changes, in November 2011, the People's Bank of China has at the first time since January 2010, announced to reduce the reserve requirement ratio by 0.5% from the peak of 21.5% after its consecutive actions twelve times to increase the same.

As indicated by the Central Economic Work Conference in December 2011, the country's priority in 2012 would be on maintaining stable economic growth while ensuring overall consumer prices are basically stable. Hence, it would be expected that China's overall monetary policy would remain very prudent, in contrast to the increasing volume of quantitative easing policy inclined to be adopted by the European and western countries to resolve economic crisis. Nevertheless, continuous fiscal policy reform and tuning of the nation's economic structure, as well as adjusting the mode of economic development would help to drive a sound and sustainable development of China's economy.

Real Estate Development

In January 2011, the State Council of the People's Republic of China proclaimed the new rulings after its orders in 2010 as a continuum of its property price control policies to further regulate the property market in the country, including the requirement of municipal governments' implementation of control measures and the additional restrictions on mortgage financing and acquisition, etc. These measures were proven to be effective. During the second half year in 2011, property prices in major cities were under control. Transactions slowed down as investment and speculation were discouraged.

Undoubtedly, the Central Government policy had successfully alleviated the property price pressure in the first- and second-tier cities and deterred both the speculative and investment buyers. However, overall speaking, core demands for accommodation needs remain robust in China. Impacts to the highly selective third-tier cities in which our Group operates were relatively mild. Moreover, with the key focus on the medium to high-ended consumer segment by the Group, it enjoys competitive advantages as key criteria of these customers for buying are quality and reasonable price.

Yinchuan – International Community

Beijing – Lagoon Manor

PROSPECTS (CONTINUED)

Group Strategy

To adapt to the ever changing global situation and maintain continuous economic growth, China needs to undergo progressive economic transition for industrial upgrade and move up the value chain from manufacturing to high value-added service industry. While China is a vast country with cities at different stage of development, the better developed commercial and industrial businesses from the coastal areas would expand into the inland places to deploy untapped natural resources and cheaper labour forces to maintain competitive advantages and operating scales. There has therefore been massive investment in infrastructure in PRC in order to reduce inter-city distance and facilitates people mobilization. At the same time, rapid industrialization and urbanization in these inland cities are underway.

Hence, the Group would continue thoroughly to position itself on the middle to high-end property markets in third-tier emerging cities with best investment value and growth potentials. In the past year, the Group has succeeded in entering into four such cities and lay down solid foundation for future business development and expansion. Going forward, key approaches of the Group would be progressive transformation, sustainable development, and quality production. The Group would concentrate its efforts to provide innovative market propositions and enhance its marketing capabilities. It will continue to expand its land bank in selective third-tier cities for a sustainable business growth.

The Group is visionary to become a high-growth star property developer of the highest potential in the PRC residential property market, accompanying with good customer satisfaction and company goodwill.

Under the existing complicated external conditions, the Group would closely monitor the impacts to the China economy and property market arising from the latest development in the global economic environment and volatile capital market.

APPRECIATION

2011 was a fruitful year after the concerted efforts of all to overcome different kinds of challenges. I would like to take this opportunity to thank my fellow directors, our staff and our shareholders for their continued support.

By order of the Board
China Overseas Grand Oceans Group Limited
Hao Jian Min
Chairman and Non-executive Director

Management Discussion and Analysis

GLOW IN

FRUITFULNESS

The Group positions itself on the middle to high-end property markets in third-tier emerging cities with best investment value and growth potentials. In the past year, the Group has succeeded in entering into four such cities and lay down solid foundation for future business development and expansion.

REVENUE AND OPERATING RESULTS

The Group recorded revenue of HK$5,165.7 million and gross profit of HK$2,995.6 million for the year ended 31 December 2011. Revenue increased by 47.0% with progressive handover of completed properties pre-sold and stock sales in the year, while gross profit increased by 91.7% compared to last year. Profit margin strengthened from 44.5% in last year to 58.0% in current year primarily due to prominent increase in average selling price of property development projects from both first-tier and third-tier cities, as a result of enhanced quality in addition to marketing under the sought-after renowned brand name of "China Overseas Property".

Operating profit increased by HK$1,403.1 million or 70.0% against last year and reached HK$3,406.7 million for the year ended 31 December 2011. The continuous improvement in result was mainly attributable to increase in both the sales volume and profit margin. Similarly, the distribution, selling and administrative expenses were increased in line with current year's activities, by 36.9% to HK$333.2 million against last year. These overheads were, however, offset by certain incidental gains recorded during the year, including: (i) fair value gain of HK$355.1 million from the re-classification of inventories to investment properties and the revaluation of the investment properties, (ii) gain of HK$135.7 million on bargain purchases arising from the acquisition of project companies in Jilin and Beijing, PRC, and (iii) recovery of HK$213.3 million upon fulfillment of contractual liabilities by a third party to re-purchase the Group's interest in a subsidiary in Qingdao, the PRC (details of which had been disclosed in the 2009 Annual Report).

On the other hand, finance costs increased to HK$33.5 million from HK$19.8 million of last year, after capitalization of HK$188.2 million to the on-going development projects.

Overall, taking into account the positive effects after the acquisition of the remaining 30% minority interest in COGO last year, profit attributable to equity shareholders of the Company increased significantly to HK$1,815.4 million for the year ended 31 December 2011, an increase of 81.3% against last year (2010: HK$1,001.1 million).

LAND BANK

The Group's management believes that a sizable and quality land bank is one of the most important resources for a property developer. A key success factor would therefore be the Group's capability to acquire sites at competitive prices and at opportune times, thereby securing attractive returns on the properties it develops and sells.

As the Group strategy is to expand into emerging third-tier cities in the PRC, it succeeded in entering into four such new cities including Jilin, Hefei, Nanning and Lanzhou during the year. New acquisitions of land parcels were mainly transacted through participation in public land auctions, with an approximate gross floor area of 1,502,300 sq.m. in aggregate added to the Group's land bank for total consideration of approximately RMB2,779.6 million.

Moreover, the Group also managed to expand its land bank by acquisition of equity interest in private project companies. As announced on 22 August 2011, the Group acquired 70% interest in the Royal East project (previously named as "Jiangnan No. 1 project") in Jilin for a consideration of RMB140 million. On 24 October of the same year, the Group further announced to buy out the joint venture partners' 55.5% interest in the Tonghui River project in Beijing for RMB710 million and made it a wholly-owned development project.

Conclusively, as at 31 December 2011, total land bank of the Group, of which 91% are located in third-tier cities, is estimated available to build gross floor area of approximately 6,445,200 sq.m. (of which, 5,260,900 sq.m. are attributable to the Group (excluding non-controlling shareholders)) in nine different cities in PRC.

Total Landbank: 6.4 million sq.m.

Attributable Landbank: 5.3 million sq.m.

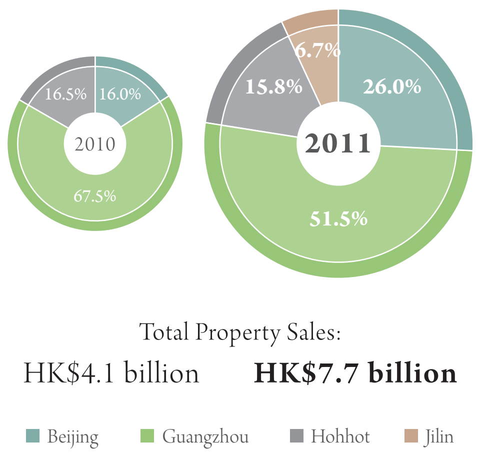
	Total GFA ('000 sq.m.)	%	Attributable GFA ('000 sq.m.)	Attributable %
1. Beijing	342.2	5.3	292.1	5.6
2. Guangzhou	220.4	3.4	220.4	4.2
3. Jilin	224.7	3.5	208.2	3.9
4. Hohhot	877.1	13.6	877.1	16.7
5. Yinchuan	3,314.0	51.4	2,319.8	44.1
6. Hefei	550.0	8.5	489.7	9.3
7. Guilin	348.0	5.4	284.8	5.4
8. Nanning	183.1	2.9	183.1	3.5
9. Lanzhou	385.7	6.0	385.7	7.3
Total	**6,445.2**	**100**	**5,260.9**	**100**

SEGMENT INFORMATION
PROPERTY SALES AND DEVELOPMENT

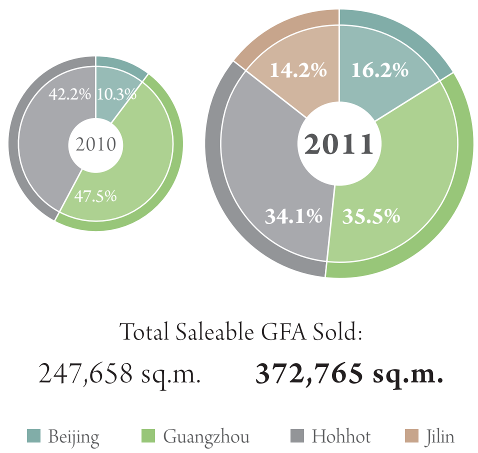
The Group's high-end quality housing products were well received with robust market demands. The effect of such product differentiation strategy was particularly prominent in the third-tier cities, where people would be willing to pay a reasonable price to obtain a quality accommodation or to improve their properties for better living condition.

With increased number of projects put under development, contracted sales increased against last year by HK$3,567.2 million to HK$7,687.0 million, representing a saleable gross floor area of 372,765 sq.m. (2010: 247,658 sq.m.), of which 89% has been received at year end date.

Proportion of Contracted Sales by Cities



Proportion of Contracted Saleable GFA Sold by Cities



Contracted sales from major projects during the year:

City	Name of project	Saleable gross floor area (sq.m.)	Amount (RMB Million)
Guangzhou	Banyan Bay	67,388	1,806.6
	The Oakwood	64,968	1,477.9
Beijing	Academic Pavilion	19,946	632.5
	Lagoon Manor	38,223	1,015.3
Hohhot	Glorious City	17,670	200.8
	Royal East	96,345	721.8
	The Arch	12,948	88.1
Jilin	Royal East	10,684	63.5
	Royal Waterfront	42,351	363.3

Hohhot – Royal East

Beijing – Lagoon Manor

Jilin – Royal Waterfront

PROPERTY SALES AND DEVELOPMENT (CONTINUED)

With the tremendous efforts of the project teams, 243,530 sq.m. of construction sites were completed in 2011 (2010: 390,059 sq.m.). As about 90% of these completed properties were sold by the year end date, coupled with stock brought forward are largely sold out, recognized revenue increased to HK$4,995.9 million (2010: HK$3,398.7 million). Similarly, segment result soared to HK$2,989.9 million (2010: HK$1,625.3 million) as well mainly due to increase in sales and higher profit margin.

Recognized revenue from major projects during the year:

City	Name of project	Saleable gross floor area (sq.m.)	Amount (RMB Million)
Guangzhou	Banyan Bay	123,844*	2,737.2*
Beijing	Academic Pavilion	38,383	940.2
Hohhot	Glorious City	55,776	381.8
Jilin	Royal East	28,622	154.3

* including disposal of investment properties and owner-occupied properties during the year

In addition to the above, the following projects had commenced the construction work in the year:

City	Name of project	Construction commenced
Hefei	The Great Hill	July 2011
Yinchuan	International Community (Land Lot No. 52)	August 2011
Nanning	The Green Peak	October 2011
Guilin	The Chief Palace	October 2011

At year end date, properties under construction and stock of completed properties amounted to 1,979,961 sq.m. and 89,645 sq.m. respectively, totaling 2,069,606 sq.m.. Properties of 265,622 sq.m. had been contracted for sales and were pending for completion of the transactions upon handover.

Further details of the respective projects are shown in the Particulars of Major Properties & Property Interests on page 134 to page 137 in the Annual Report.

Guangzhou - Banyan Bay

Yinchuan – International Community

Hefei – The Great Hill

Beijing – China Overseas International Center

PROPERTY LEASING

For the year ended 31 December 2011, with increased rental rate for new leases, rental income increased to HK$109.7 million (2010: HK$62.4 million) with a segment profit of HK$445.3 million (2010: HK$388.9 million). This includes a fair value gain of HK$355.1 million (2010: HK$382.6 million) in respect of the investment properties (including those transferred from properties held for sale) and contribution from the jointly controlled entities of HK$6.2 million (2010: HK$2.3 million).

At the year end, China Overseas International Center in Xicheng District, Beijing was 84% let while the occupancy rate for the scientific research office building in Zhang Jiang High-tech Zone in Shanghai was about 88%. The Group owns 100% and 65% of these projects respectively.

ISSUANCE OF CONSIDERATION SHARES AND BONUS SHARES

In relation to the acquisition of the remaining 30% minority interest in COGO as disclosed in the circular dated 26 November 2010 (COGO is a wholly-foreign-owned enterprise incorporated in the PRC, and through which, the Group conducted part of its existing property development and investment business), the Company had issued 189,493,224 and 57,292,355 consideration shares (in aggregate, 246,785,579 shares) on 22 February 2011 and 5 May 2011 respectively as the full settlement of the purchase consideration.

Accordingly, potential payment liability of about HK$505.8 million as recorded in the consolidated statement of financial position as at 31 December 2010 has been capitalized as equity interest during the year.

ISSUANCE OF CONSIDERATION SHARES AND BONUS SHARES (CONTINUED)

Further, the Group had also issued 507,164,421 bonus shares in September 2011 on the basis of issuance of one bonus share for every two existing shares after the approval at the extraordinary general meeting held on 26 August 2011.

Accordingly, the number of shares of the Company in issue has increased to 1,521,493,263 at year end.

FINANCIAL RESOURCES AND LIQUIDITY

As a Hong Kong incorporated and listed entity, the Company and its subsidiaries have multiple accesses to funds from both investors and financial institutions in the PRC and international market through Hong Kong as a leading international financial center.

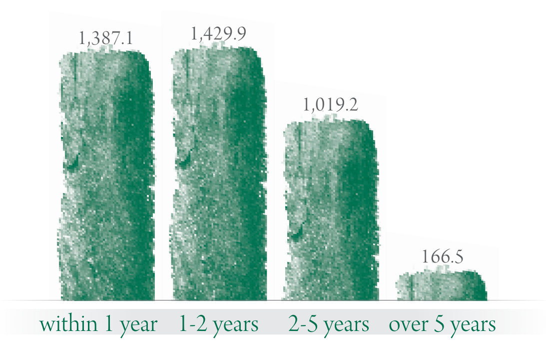
As at 31 December 2011, total borrowings (net of repayment of HK$1,311.4 million during the year), increased by 78.1% to HK$4,002.7 million against last year end. Interest was charged at floating rates with a weighted average of 5.597% per annum. About 34.7% of the borrowings is repayable within one year.

On the other hand, net working capital amounted to HK$7,101.8 million as of 31 December 2011, (31 December 2010: HK$3,368.6 million) with a quick ratio of 0.5 (31 December 2010: 0.7). With significant sales achieved during the period, cash and cash equivalents plus restricted cash and deposits were 26.9% higher at a total of HK$2,826.4 million compared with the last financial year end (HK$2,228.0 million).

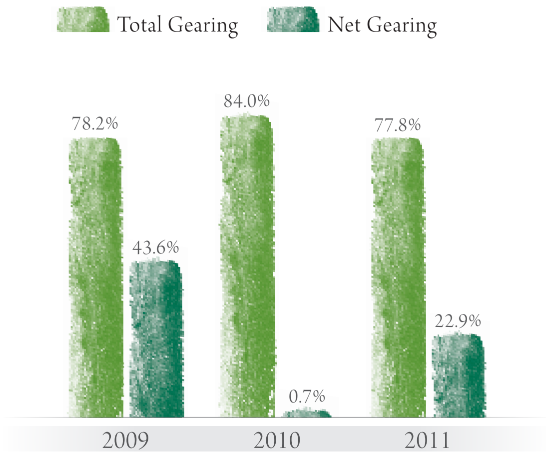
Accordingly, the net gearing ratio, expressed as a percentage of net debts (i.e. total borrowings net of cash and cash equivalent and restricted cash and deposits) to equity attributable to owners of the Company, increased to 22.9% as at 31 December 2011 (31 December 2010: 0.7%). The increment represents appropriate financial leverage of the Group as it picks up more land bank and development projects under the existing capital structure.

Debt Maturity Profile (HK$Million)

as at 31 December 2011



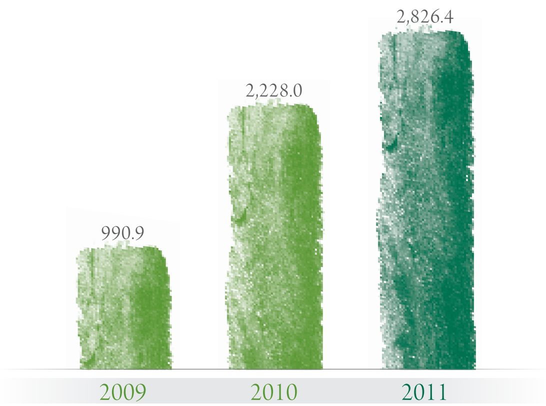
Gearing Ratio



FINANCIAL RESOURCES AND LIQUIDITY (CONTINUED)

Taking into consideration of the unutilized bank credit facilities available to the Group of HK$939.2 million, the Group's total available funds (including restricted cash and deposits of HK$805.2 million) reached HK$3,765.6 million as at 31 December 2011. The Group would regularly re-evaluate its operational and investment status and endeavour to improve its cash flow and minimize its financial risks.

Cash Reserves (HK$Million)



The Group has unutilised bank credit facilities of HK$939.2 million as at 31 December 2011

FOREIGN EXCHANGE EXPOSURE

As at 31 December 2011, about 71.3% and 28.7% of the Group's borrowings were denominated in Renminbi and Hong Kong Dollar respectively. As the Group conducted its sales, receivables and payables, expenditures and part of the borrowings in Renminbi for its PRC property development business, the management considered that a natural hedge mechanism existed. While the Group would closely monitor the volatility of the Renminbi exchange rate, the management assessed that the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

CAPITAL COMMITMENTS AND GUARANTEE

As at 31 December 2011, the Group had capital commitments totaling HK$6,679.5 million which related mainly to property development and construction works. In addition, the Group issued guarantees to banks amounting to HK$2,969.4 million, (equivalent to RMB2,407.3 million) mainly for facilitating end-user mortgages in connection with its PRC property sales as a usual commercial practice.

CAPITAL EXPENDITURE AND CHARGES ON ASSETS

The Group had capital expenditures totaling HK$9.3 million approximately during the year under review, mainly referred to additions in motor vehicles, furniture, fixtures and office equipment.

On the other hand, as at 31 December 2011, certain property assets and trade receivables with an aggregate carrying value of HK$1,891.0 million in the PRC were pledged to secure 10.8% of the group borrowings, or HK$431.7 million (equivalent to RMB350.0 million) from certain PRC banks.

EMPLOYEES

As at 31 December 2011, the Group has approximately 403 employees (31 December 2010: 214). The pay levels of these employees are commensurate with their responsibilities, performance and the prevailing market condition. Details of employee share option scheme of the Group are set out on page 32 in this annual report.

Human Resources and
Sustainable Development

STAFF TRAINING AND DEVELOPMENT

The Group targets to build up the core competitiveness of our team and enhance the all-round development and expertise of our staff. It actively creates a healthy and positive team spirit and cultivates a learning culture by organizing a series of training activities so as to boost the morale and sense of belonging. The Group provides training to our staff by organizing short-term off-site exchange tours, focus learning, video conferencing, discussion, etc. via the e-learning academy of the Group. During the year, the Group organized 15-20 training courses for each staff totally up to 2,850 runs which effectively accelerated the rapid growth of our employees.

The Group advocates the talent-deployment policy by integrating employees' development into the long-term development of the enterprise. During the year, the Group enhanced various practical experience and capabilities of the employees by ways of deployment, inter-company transfer and exchange to cope with the rapid expansion of its operations. Total counts of 225 staff mobilization through promotion, internal transfer and inter-company job rotation were recorded in the year. The Group also pursues to meet the employees' pursuit of career development by setting up dual respects of management and technical development side-by-side.

ENVIRONMENTAL PROTECTION AND CARBON EMISSIONS REDUCTION

The Group pursues to develop top-quality properties which emphasize environmental protection, energy conservation and sustainability of the natural environment. The Group strives to fulfill its obligations as a corporate citizen by constantly innovating and applying "low-carbon construction" techniques during the construction process, design, development and management of projects. It also strives to achieve standardization and minimize the wastage of resources to help build a green community.

Graduate Recruitment held in November 2011 (Hohhot)

RECRUITING THE BEST TALENTS

The Group recognizes the importance of nurturing talents to our future development. During the year, in order to keep pace with the rapid development of the Group, we leverage on the schemes of graduate recruitment and society recruitment as platforms of recruitment, and successfully attracted 216 outstanding talents for the Group's sustainable development. The Group organized the graduate recruitment scheme in 18 cities and successfully attracted 53 outstanding graduates who were deployed in various regions such as Hefei, Lanzhou, Yinchuan, Hohhot, etc. to receive employment and training. Also, in order to expand our middle to senior experienced management team, the Group successfully recruited 163 management personnel via the society recruitment scheme to join the headquarter and regional offices. The recruitment effectively beefed up the professional and technical capability of the companies and the overall competitiveness.

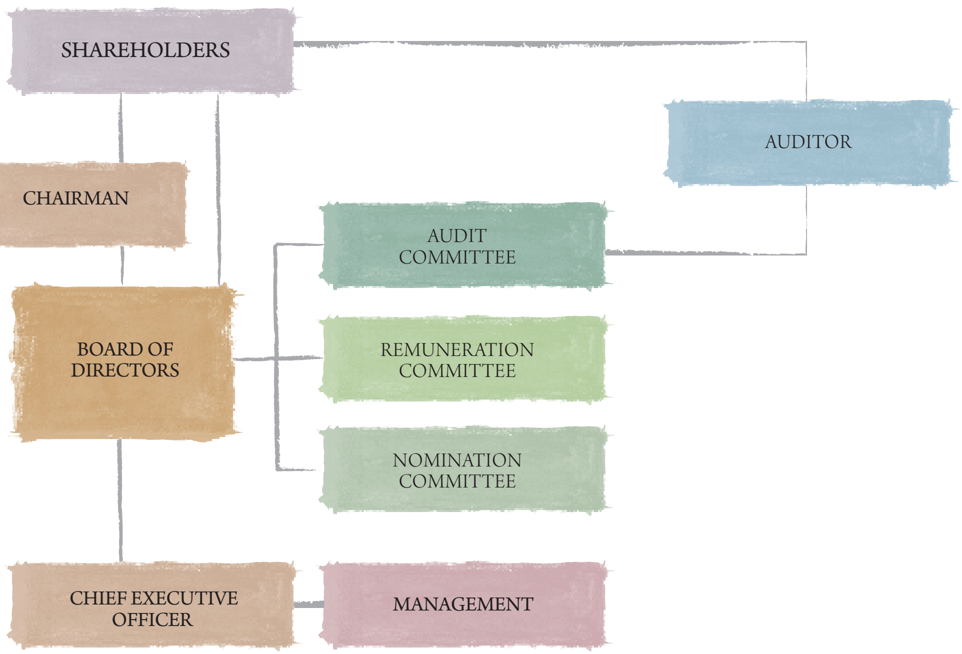
Group Study in December 2011 (Shenzhen)

Corporate Governance Report

CORPORATE GOVERNANCE

The Group strives to raise the standard of corporate governance and regards corporate governance as part of value creation. This reflects the commitment of the Board and senior management on abiding by the standards of corporate governance, as well as our willingness to maintain transparency and accountability to maximise the value of our shareholders as a whole.

The following are key players involved in ensuring the application of good governance practices and policies within the Group and their major roles and explanations of their corporate governance practices and policies are set out in the following report:



THE BOARD AND ITS COMMITTEES	MAJOR ROLES AND FUNCTIONS
Board of Directors	■ To establish, adopt and review the Group's vision, mission, principles and policies ■ To review and approve the corporate strategic plans ■ To oversee the Group's operations and management
Audit Committee	■ To review the financial statements of the Group ■ To review with the Group's management, external auditor and internal auditor, the adequacy of the Group's policies and procedures regarding internal controls and risk management ■ To review and monitor the scope, effectiveness and results of internal audit function
Remuneration Committee	■ To make recommendations to the Board on the Company's policy and structure for all directors and senior management remuneration ■ To make recommendations to the Board on the remuneration packages of individual executive directors and senior management ■ To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives
Nomination Committee	■ To review the structure, size and composition (including the skills, knowledge and experience) of the Board ■ To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships ■ To assess the independence of independent non-executive directors ■ To make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors

CORPORATE GOVERNANCE REPORT

Except for the deviation from Rule A.4.1, the Company has strictly complied with the code provisions of the Code in 2011. The Corporate Governance Report of the Company during the year is set out below:

DIRECTORS

Board Composition

Our Board currently has nine members drawn from diverse and complementary backgrounds and experience:

Name of Directors	Background*
Mr. Hao Jian Min *(Chairman and Non-executive Director)*	Property development and general corporate management
Mr. Yung Kwok Kee, Billy *(Vice Chairman and Non-executive Director)*	Property development and general corporate management
Mr. Chen Bin *(CEO and Executive Director)*	Property development and general corporate management
Mr. Yu Shangyou *(Executive Director)*	Finance and investment
Mr. Xiang Hong *(Vice President and Executive Director)*	Finance and general corporate management
Mr. Wang Man Kwan, Paul *(CFO and Executive Director)*	Finance and investment
Dr. Chung Shui Ming, Timpson *(Independent and Non-executive Director)*	Finance and investment
Mr. Lam Kin Fung, Jeffrey *(Independent and Non-executive Director)*	General corporate management
Mr. Lo Yiu Ching, Dantes *(Independent and Non-executive Director)*	Construction and public administration

* Full biographies of the Directors are set out in the section headed "Directors and Organization" of this annual report.

One-third of our Board members are independent non-executive Directors. The Board has received annual written confirmation of independence from each of the independent non-executive Directors and believed that, as at the date of this annual report, they were independent of the Company in accordance with the relevant requirement of the Listing Rules.

Chairman and CEO

The roles between the Chairman of the Board and the Chief Executive Officer are separated to ensure a balance of power and authority.

Mr. Hao Jian Min is our Chairman who provides leadership for the Board. He is responsible for ensuring that before any meeting is held, all Directors receive complete and reliable information in a timely manner and that Directors are properly briefed on issues arising at the meetings. He also ensures that the Board works effectively and discharges its responsibilities; good corporate governance practices and procedures are established; and appropriate steps are taken to provide effective communication with shareholders and those views of shareholders are communicated to the Board as a whole.

Mr. Chen Bin is our Chief Executive Officer who is responsible for the implementation of strategies and objectives set by the Board and is responsible for day-to-day management of the Company's businesses.

Appointments, Re-election and Removal

In accordance with our articles of association, one-third of the Directors will retire from office by rotation for re-election by shareholders at the annual general meeting. In addition, any new appointment to the Board is subject to re-appointment by shareholders at the upcoming general meeting.

Code provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term and subject to retirement by rotation and re-election. The non-executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

Responsibilities of Directors

Every newly appointed Director will receive an induction on the first occasion of his appointment, so as to ensure that he has a proper understanding of the operations and business of the Company, and his responsibilities under laws, regulations and especially the governance policies of the Company. The company secretary of the Company will continuously update and refresh the Directors on areas regarding their responsibilities and relevant regulations. All Directors are required to disclose to the Company their offices held in public companies or organizations and other significant commitments.

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors ("Code of Conduct"), the terms of which are not less exacting than the Model Code. Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Code of Conduct throughout 2011.

Supply of and Access to Information

Full Board or committee papers will be sent to all Directors at least three days before the intended date of a Board meeting or committee meeting.

Management has supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management is also invited to join the Board or committee meetings where appropriate.

All the Directors are also entitled to have access to timely information in relation to our businesses and have separate and independent access to senior management.

DELEGATION BY THE BOARD

Management Functions

The Board is the highest decision-making and managing body of the Company. Having regard to the best interests of the Company and its shareholders, the Board reviews and approves major matters such as business strategies, budgets, major investments as well as mergers and acquisitions. In addition, the Directors have acknowledged that the principal responsibilities of the Board also include supervising and administrating the operation and financial position of the Company, enhancing corporate governance structure and promoting the communication with our shareholders.

Board Proceedings

The Board held 5 meetings during the year and meetings were also held as and when necessary to discuss significant transactions, including material acquisitions and disposals and connected transactions, if any. All Directors can give notice to the Chairman or the company secretary if they intend to include matters in the agenda for Board meetings. Before each Board meeting, sufficient notice of meeting was sent to each Director to promote better attendance. Where necessary, the Directors can

Board Proceedings (Continued)

seek separate independent professional advice at the Company's expenses so as to discharge their duties to the Company. Minutes of the meetings are kept by our company secretary, and the Board and committee members may inspect the documents and minutes of the Board and the committees at anytime. All Directors have access to the advice and services of the company secretary who is responsible to the Board for ensuring that procedures are followed and that all applicable laws and regulations are complied with.

Board Committees

Currently, the Board has set up three committees, namely Audit Committee, Remuneration Committee and Nomination Committee to implement internal supervision and control on each relevant aspect of the Company.

Details of Audit Committee, Remuneration Committee and Nomination Committee are set out below.

AUDIT COMMITTEE AND ACCOUNTABILITY

Financial Reporting

Directors acknowledge their responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the relevant laws and standards. Appropriate accounting policies are selected and applied consistently; judgements and estimates made are prudent and reasonable. The Directors endeavour to ensure that a balanced, clear and understandable assessment of the Company's position and prospects are presented in annual reports, interim reports, announcements and other disclosures required under the Listing Rules and other statutory requirements.

Internal Controls

The Directors of the Company are responsible for the maintenance of an effective system of internal control. The Board has implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, reliable financial information are provided for management and publication purposes and investment and business risks affecting the Group are identified and properly managed. The Company has established the Intendance and Audit department so as to enhance a good internal control environment. The Intendance and Audit department provides internal control assessment reports to the management on a regular or ad hoc basis. It also regularly reports to the Audit Committee and the Board on internal control affairs. To minimize risk faced by the Company, the department evaluates and reviews the Company's internal control processes to avoid risks and provide a solid foundation for building up an effective internal control system.

The Directors have reviewed the efficiency of internal control systems of the Company and its subsidiaries in aspects such as financial condition, operation, regulatory compliance and risk management. The Directors believe that the internal control system is efficient and effectively controls the risks that may have impacts on the Company in achieving its goals.

The Directors have also considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Audit Committee

The Company established the Audit Committee whose principal duties are set out in the section "The Board and its Committees Major Roles and Functions" of this report.

The Audit Committee comprises of three members, namely Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes, all of whom are independent non-executive Directors. The Audit Committee is chaired by Dr. Chung Shui Ming, Timpson. For the purpose of reinforcing their independence, all members of the Audit Committee have appropriate professional qualifications, accounting or related financial management experience referred to in the Listing Rules.

The Audit Committee held four meetings during 2011. The committee together with the senior management, internal and independent auditors of the Company reviewed the internal and independent audit results and discussed matters relating to audit, internal control system and financial reporting.

REMUNERATION AND NOMINATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established the Remuneration Committee whose principal duties are set out in the section "The Board and its Committees Major Roles and Functions" of this report. The remuneration of the Directors approved by the shareholders is determined by the Board with reference to factors such as salaries paid by comparable companies, time commitment, responsibilities of the directors and employment conditions.

REMUNERATION AND NOMINATION OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

The Remuneration Committee has five members, namely Mr. Hao Jian Min, Mr. Yung Kwok Kee, Billy, Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes, majority of whom are independent non-executive Directors. Mr. Lam Kin Fung, Jeffrey has been appointed as the chairman of the Remuneration Committee of the Company in place of Mr. Hao Jian Min with effect from March 2012. Mr. Hao Jian Min remains as a member of the Remuneration Committee.

The Remuneration Committee held one meeting during 2011 to review remuneration policy of the Group and Directors' remunerations.

The Company has also established the Nomination Committee whose principal duties are set out in the section "The Board and its Committees Major Roles and Functions" of this report. A proposal for the appointment of a new Director will be considered and reviewed by the Nomination Committee. Candidates to be selected and recommended are experienced, high calibre individuals. All candidates must be able to meet the standards set out in the Listing Rules.

The Nomination Committee has four members, namely Mr. Hao Jian Min, Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes, majority of whom are independent non-executive Directors. The Committee is chaired by Mr. Hao Jian Min.

The Nomination Committee held one meeting during 2011 to review the rotation and appointment of Directors.

COMMUNICATION WITH SHAREHOLDERS

Apart from reporting to the shareholders and investors on its operation and financial conditions semi-annually and annually, the Company also discloses relevant information quarterly so that the investors have a better understanding about the operation of the Company.

The Company also holds regular press conferences and meetings with financial analysts and investors, during which the Company's management will directly provide relevant information and data to the media, financial analysts, fund managers and investors, as well as answer their enquiries in a prompt, complete and accurate manner. The Company's website is updated continuously, providing up-to-date information regarding every aspect of the Company to investors and the public.

ATTENDANCE RECORDS

Details of Directors' attendance at the Board meetings and meetings of Board committees held in 2011 are set out in the following table:

Name of Directors	Board meetings (Note)	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
Mr. Hao Jian Min	4/4	N/A	1/1	1/1
Mr. Yung Kwok Kee, Billy	4/5	N/A	1/1	N/A
Mr. Chen Bin	4/4	N/A	N/A	N/A
Mr. Yu Shangyou	4/4	N/A	N/A	N/A
Mr. Xiang Hong	5/5	N/A	N/A	N/A
Mr. Zhu Bing Kun (resigned in July 2011)	0/2	N/A	N/A	N/A
Mr. Wang Man Kwan, Paul (appointed in July 2011)	2/2	N/A	N/A	N/A
Dr. Chung Shui Ming, Timpson	4/5	4/4	1/1	1/1
Mr. Lam Kin Fung, Jeffrey	5/5	4/4	1/1	1/1
Mr. Lo Yiu Ching, Dantes	4/5	3/4	1/1	1/1

Note: The attendance figure represents actual attendance/the number of meetings a Director entitled to attend.

AUDITOR'S REMUNERATION

For the year ended 31 December 2011, fees for audit services and non-audit services payable to the auditor of the Company amounted to approximately HK$1,000,000 and HK$458,000 respectively. The non-audit services payable included professional services rendered in connection with the Group's corporate financing activities and taxation services.

Directors and Organization

NON-EXECUTIVE DIRECTORS:

MR. HAO JIAN MIN, *Chairman*

Aged 47, holds a Master degree from Harbin Institute of Technology and a MBA from Fordham University in USA. Mr. Hao joined COHL in 1989. He is now an executive director of COHL and an executive director, vice chairman and chief executive officer of COLI. He is also acting as the chairman or director of certain subsidiaries of COHL and COLI. Mr. Hao has more than 25 years' experience in construction and property development businesses. Mr. Hao has been appointed as the chairman and non-executive director of the Company in February 2010. He was also appointed as chairman and member of both the Remuneration Committee and the Nomination Committee of the Company in May 2010. Mr. Hao resigned as the chairman of Remuneration Committee of the Company with effect from March 2012 and remains as a member of the Remuneration Committee of the Company.

MR. YUNG KWOK KEE, BILLY, *Vice Chairman*

Aged 58, received a Bachelor degree in Electrical Engineering from University of Washington and a Master degree in Industrial Engineering from Stanford University. Mr. Yung has over 30 years of experience in managing manufacturing, retailing, transportation, semi-conductor, computer hardware and software business in US, Hong Kong and China. He has also over 30 years of experience in real-estate investment and development in US, Canada, Holland, Hong Kong, Taiwan, Macau and China. Mr. Yung resigned as the group chairman and chief executive of the Company with effect from 10 February 2010 and has been re-designated from chairman of the Board and executive director to vice chairman of the Board and non-executive director of the Company with effect from 27 February 2010. He is now the vice chairman, non-executive director and member of the Remuneration Committee of the Company. Mr. Yung is currently a member of Chinese People's Political Consultative Conference Guangzhou Committee, the Permanent Honorary President of Friends of Hong Kong Association Ltd., the Honorary President of Shun Tak Fraternal Association and was awarded the Honorary Citizen of the City of Guangzhou and the Honorary Citizen of the City of Foshan.

EXECUTIVE DIRECTORS:

MR. CHEN BIN, *Chief Executive Officer*

Aged 42, BEng. (Southeast University), MBA (Kellogg-HKUST), Senior Engineer. Mr. Chen has more than 18 years' management experience in construction business and personnel administration. He joined China State Construction Engineering Corporation in 1993 and has been appointed as a director of COHL since March 2004. Mr. Chen was an executive director of COLI from November 2006 to August 2011 and has been re-designated as its non-executive director in August 2011. Mr. Chen is also acting as director of certain subsidiaries of COLI. Mr. Chen has been appointed as the chief executive officer and executive director of the Company with effect from February 2010.

MR. YU SHANGYOU

Aged 53, graduated from Ohio University with a Master degree, Senior Economist. He has more than twenty-eight years of experience in the financial fields including corporate finance and investment, asset management, corporate strategy, M&A, corporate operation and risk management.

From 1988 to 1993, Mr. Yu was a project manager with China Heilongjiang International Economic & Technical Cooperation Corporation. In 1993, Mr. Yu joined COHL and was subsequently designated as a director of Chung Hoi Finance Ltd. in 1997, and the deputy general manager of finance department of COHL from March 2000 to May 2005, the director and general manager of Chung Hoi Finance Ltd. in May 2005, vice chairman and general manager of China Overseas Finance Investment Limited in January 2007 and July 2011 respectively, a director of COHL in March 2008. Furthermore, Mr. Yu was also appointed as the deputy general manager of Shenzhen China Overseas Investment Management Co., Ltd. in December 2008, and director of Anhui Guoyuan Trust Co., Ltd in September 2009. Mr. Yu was appointed as an executive director of the Company in February 2010.

EXECUTIVE DIRECTORS: (CONTINUED)

MR. XIANG HONG, *Vice President*

Aged 44, senior accountant and holder of master degree, graduated from Hangzhou Institute of Commerce and Murdoch University in Australia. He has more than 20 years' experience in corporate financial experience. Mr. Xiang joined COLI in 1993 and was appointed as a deputy financial controller of a COLI's subsidiary in February 2006. He was subsequently designated as the deputy financial controller of COLI in November 2009 and resigned from the post in July 2011. Mr. Xiang was appointed as the Company's chief financial officer and executive director in February 2010 and has been re-designated as Vice President and executive director in July 2011.

MR. WANG MAN KWAN, PAUL, *Chief Financial Officer*

Aged 55, graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University). Mr. Wang is a fellow member of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants. He is also an associate member of Certified General Accountants of Canada, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Mr. Wang joined COLI as general manager, Finance & Treasury Department in December 2004. Between February 2005 and August 2009, he was appointed as executive director and deputy financial controller and qualified accountant of COLI. He also currently serves as chief operating officer of COLI ICBC China Investment Management Ltd. Prior to joining COLI, Mr. Wang was director and chief financial officer of Guangdong Investment Limited. Mr. Wang has extensive experience in corporate restructuring and corporate financial services. His previous experience includes working in the Hong Kong Inland Revenue Department, Jardine Matheson (Company Secretary's Department and JMS Finance), Deloitte (Hong Kong and Toronto offices) and as a director and chief operating officer of a South East Asian Group in charge of operations in China, Philippines, Indonesia, Singapore, Dubai and Germany. Mr. Wang was appointed an executive director and chief financial officer of the Company in July 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS:

DR. CHUNG SHUI MING, TIMPSON *GBS, JP*

Aged 60, holds a bachelor of science degree from the University of Hong Kong, a master's degree of business administration from the Chinese University of Hong Kong and a Doctor of Social Sciences honoris causa from the City University of Hong Kong. He is a fellow member of The Hong Kong Institute of Certified Public Accountants. Dr. Chung is currently a member of the National Committee of the 11th Chinese People's Political Consultative Conference. Besides, Dr. Chung is an independent non-executive director of China Unicom (Hong Kong) Limited, Glorious Sun Enterprises Limited, The Miramar Hotel & Investment Co. Limited and Nine Dragons Paper (Holdings) Limited (all listed on the Stock Exchange). Dr. Chung is also an independent director of China State Construction Engineering Corporation Limited and China Everbright Bank Corporation Limited (both listed on the Shanghai Stock Exchange). From October 2004 to November 2008, Dr. Chung served as an independent non-executive director of China Netcom Group Corporation (Hong Kong) Limited. Formerly, Dr. Chung was a director of Hantec Investment Holdings Limited, the chairman of China Business of Jardine Fleming Holdings Limited, the deputy chief executive officer of BOC International Limited, the independent non-executive director of Tai Shing International (Holdings) Limited, and the chairman of the Council of the City University of Hong Kong. He was also the chairman of the Hong Kong Housing Society, a member of the Executive Council of the Hong Kong Special Administrative Region, the vice chairman of the Land Fund Advisory Committee of Hong Kong Special Administrative Region Government, a member of the Managing Board of the Kowloon-Canton Railway Corporation, a member of the Hong Kong Housing Authority, a member of the Disaster Relief Fund Advisory Committee and a vice-chairman, director & deputy general manager of Nanyang Commercial Bank Limited and the chief executive officer of the Hong Kong Special Administrative Region Government Land Fund Trust. Since May 2010, Dr. Chung has been appointed as an independent non-executive director of the Company, chairman of the Audit Committee, and member of both the Remuneration Committee and Nomination Committee of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS: (CONTINUED)

MR. LAM KIN FUNG, JEFFREY *GBS, JP*

Aged 60, holds a Bachelor Degree from Tufts University in USA. He has over 30 years of experience in the toy industry and is currently the managing director of Forward Winsome Industries Limited which is engaged in toy manufacturing. He is also a member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Lam also holds a number of other public and community service positions including member of the Legislative Council in Hong Kong, chairman of the Assessment Committee of the Mega Events Funds, member of the board of the West Kowloon Cultural District Authority, member of the Advisory Committee on Corruption of Independent Commission Against Corruption, member of the Steering Committee on the Community Care Fund, council member of Hong Kong Trade Development Council and general committee member of Hong Kong General Chamber of Commerce. In addition, he is an independent non-executive director of Hsin Chong Construction Group Limited, CC Land Holdings Limited, Wynn Macau, Limited, Sateri Holdings Limited and Chow Tai Fook Jewellery Group Limited. Since May 2010, Mr. Lam has been appointed as an independent non-executive director of the Company, member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Lam has been appointed as the chairman of the Remuneration Committee of the Company in place of Mr. Hao Jian Min with effect from March 2012.

MR. LO YIU CHING, DANTES *GBS, JP*

Aged 65, graduated in London in 1970 and further obtained his Master of Science degree in civil engineering from the University of Hong Kong in 1980. He is a fellow of the Institution of Civil Engineers; a fellow of the Institution of Structural Engineers; a fellow of the Hong Kong Institution of Engineers and a member of the China Civil Engineering Society.

Mr. Lo had been engaged both in Hong Kong and overseas in the administration, planning, design and supervision of major capital works projects in civil and structural engineering, including multi-storey buildings, slope works, construction of roads and bridges, reclamations and port works and new town development. In 1970, Mr. Lo started his career with Ove Arup & Partners in London as a project engineer. He joined the Hong Kong Government in 1974 as an engineer and was promoted to director of Civil Engineering Department in 1999 and then director of Highways Department in 2000. In 2002, Mr. Lo was appointed the permanent secretary for the Environment, Transport and Works (Works). He retired from the civil service in 2006. Before his retirement, Mr. Lo was awarded the Gold Bauhinia Star (GBS) in recognition of his loyal and distinguished service to the Government and the Hong Kong Community. In particular, he had made valuable contribution in steering forward major public works projects and in promoting quality improvements in the construction industry.

Mr. Lo is a Justice of the Peace and a part-time senior consultant to the Hospital Authority on capital planning. He has been appointed as a distinguished adjunct professor in the Department of Civil Engineering, University of Hong Kong since 2003. Mr. Lo is also an adjunct professor in the Department of Civil and Structural Engineering, Hong Kong Polytechnic University. Since May 2010, Mr. Lo has been appointed as an independent non-executive director of the Company, member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company.

SENIOR MANAGEMENT STAFF:

MS. FAN YI TING, *Assistant President & Vice Chief Architect*

Aged 39, graduated from the South China University Of Technology and attained a master of Architecture. Ms. Fan joined a subsidiary of COHL in 2000 and has been appointed General Manager of Planning & Design Center and Director of China Overseas Property Group Co., Ltd ("China Overseas Property Group") and Design Director of China Overseas Property Group (Northern China) from 2002. Ms. Fan was appointed as Assistant President and Vice Chief Architect of the Company in June 2011. She has 16 years' experience in planning & design management.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

During the current year, the principal activities of the Group are property investment and development, property leasing and investment holding. Details of the activities of its principal subsidiaries and jointly controlled entities are set out in note 51 and note 52 to the financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 38.

The Board has recommended the payment of a final dividend of HK5.0 cents per ordinary share for the year ended 31 December 2011 with a total amount of approximately HK$76,075,000.

SHARE CAPITAL

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

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and note 36 to the financial statements respectively.

DISTRIBUTABLE RESERVE

Distributable reserve of the Company at 31 December 2011, calculated under section 79B of the Companies Ordinance was HK$390,813,000 (2010: HK$602,274,000).

DONATIONS

During the year, the Group did not make any charitable and other donations (2010: HK$215,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group and the Company are set out in note 17 to the financial statements.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 133.

MAJOR PROPERTIES

Particulars of the major properties and property interests of the Group as at 31 December 2011 are set out on pages 134 to 137.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 2011, the Company has issued:

(a) 123,392,789 ordinary shares at HK$5.02132 per share on 22 February and 5 May 2011 to Mr. Wang Tao Guang pursuant to the Acquisition Agreement dated 2 November 2010; and

(b) 123,392,790 ordinary shares at HK$5.02132 per share on 22 February and 5 May 2011 to Kentrise Company Inc. pursuant to the Acquisition Agreement dated 2 November 2010.

Save as disclosed above, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2011.

SHARES ISSUED

With approval of the shareholders at the extraordinary general meeting of the Company held on 26 August 2011, the Company issued bonus shares on the basis of one bonus share for every two existing shares in issue on 1 September 2011, the bonus issue record date. As at 1 September 2011, there were 1,014,328,842 shares in issue and accordingly the number of bonus shares issued was 507,164,421. The bonus shares, which rank pari passu in all respects with the shares then existing, were credited as fully paid by way of capitalisation of an amount equal to the total par value of the bonus shares standing to the credit of the reserve account of the Company. For the year ended 31 December 2011, an amount of approximately HK$5,071,644 was transferred from the reserve account to share capital accordingly. For details of the bonus shares issue, please refer to the circular dated 10 August 2011 and the announcements dated 2 August 2011 published by the Company.

DIRECTORS

The Directors of the Company during the year and up to date of this report are as follows:

Non-executive directors

Mr. Hao Jian Min *(Chairman of the Board)*
Mr. Yung Kwok Kee, Billy *(Vice Chairman of the Board)*

Executive directors

Mr. Chen Bin *(Chief Executive Officer)*
Mr. Yu Shangyou
Mr. Xiang Hong *(Vice President)*
Mr. Wang Man Kwan, Paul *(Chief Financial Officer)*

Independent non-executive directors

Dr. Chung Shui Ming, Timpson
Mr. Lam Kin Fung, Jeffrey
Mr. Lo Yiu Ching, Dantes

The date of appointment of the above directors are set out in the section headed "Directors and Organization" of this annual report.

During the year, Mr. Zhu Bing Kun ceased to be director of the Company with effect from 11 July 2011.

In accordance with Article 103 of the Company's Articles of Association, Mr. Yu Shangyou, Dr. Chung Shui Ming, Timpson and Mr. Lo Yiu Ching, Dantes shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received from each Independent Non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such directors to be independent.

Each Director (including non-executive directors) is subject to retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS AND ORGANIZATION

Brief biographical details of directors and senior management as at the date of this report are set out on pages 27 to 29.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance to which the Company or any of its 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, as at the date of this report, the following directors had declared interests in the following entities which compete or are likely to compete, either directly or indirectly, with the businesses of the Company:

Mr. Hao Jian Min, Chairman of the Board, is also the Vice Chairman and Chief Executive Officer of COLI and a director of various subsidiaries of COLI and COHL. In addition, Mr. Hao is a director of COHL. Both COLI and COHL are engaged in construction, property development and related businesses.

Mr. Chen Bin, Executive Director and Chief Executive Officer of the Company, is also a director of COHL, a non-executive director of COLI and a director of various subsidiaries of COLI.

Mr. Yu Shangyou, Executive Director of the Company, is also a director of COHL and holds directorships in various subsidiaries of COHL and COLI.

The entities in which the Directors have declared interests are managed by separate boards of directors and management, which are accountable to their respective shareholders. Further, the Board includes three Independent Non-executive Directors and one Non- executive Director (other than Mr. Hao Jian Min) whose views carry significant weight in the Board's decisions. The Audit Committee of the Company, which consists of three Independent Non-executive Directors, meets regularly to assist the Board in reviewing the financial performance, internal control and compliance systems of the Company and its subsidiaries. The Company is, therefore, capable of carrying on its businesses independently of, and at arm's length from, the businesses in which Directors have declared interests.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 11 May 2005, the Company's shareholders approved the adoption of Option Scheme and the purposes of the Option Scheme are to attract and retain high-calibre personnel to provide them with the opportunity to acquire equity in the Company and to motivate them to high level of performance.

Unless otherwise terminated by the Board or the shareholders of the Company in general meeting in accordance with the terms of the Option Scheme, the Option Scheme shall be effective for a period of 10 years from 11 May 2005 (the "Scheme Period") and after which no further options will be granted but the provisions of the Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto.

The Board may, at its absolute discretion, offer any eligible person options to subscribe for shares in the Company. Upon acceptance of the offer of an option, the grantee shall pay HK$1.00 to the Company as a consideration for option granted. No options were granted since 11 May 2005.

The maximum number of shares that can be granted under the Option Scheme shall not in aggregate exceed 10% of the total number of shares in the Company in issue as at 11 May 2005 unless the Company obtains a further approval from its shareholders in general meeting for refreshing such 10% limit.

The exercise price per share under the Option Scheme shall be determined by the Board but shall be not less than the greatest of:

(a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day;

(b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the offer date; and

(c) the nominal value of the shares.

In the event of a capitalisation issue, rights issue, sub-division or consolidation of the shares or reduction of the capital of the Company whilst any option remains exercisable, the Company shall make such corresponding adjustments to the exercise price per share for the outstanding options.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31 December 2011, the Directors and the Chief Executives of the Company had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Long Positions in shares of the Company

Name of Director	Capacity	Nature of Interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (Note 1)
Mr. Hao Jian Min	Beneficial owner	Personal	3,300,000	3,300,000	0.22%
Mr. Yung Kwok Kee, Billy	Beneficial owner	Personal	11,899,999	276,702,125	18.19%
	Beneficiary of a trust (Note 2)	Other	253,978,626		
	Interest of controlled corporation (Note 3)	Interest in controlled corporation	10,823,500		
Dr. Chung Shui Ming, Timpson	Beneficial owner	Personal	445,500	445,500	0.03%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (CONTINUED)

Save as disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or Chief Executive of the Company or their respective associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the Directors and Chief Executive of the Company (including their spouses and children under the age of 18) had, as at 31 December 2011, any interest in, or had been granted any right to subscribe for the shares and options of the Company and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Notes:

(1) The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2011 (i.e. 1,521,493,263 shares).

(2) These shares are held by a trust for the benefit of Mr. Yung Kwok Kee, Billy and his spouse.

(3) These shares are held by Extra-Fund Investment Limited, a corporation interested by Mr. Yung Kwok Kee, Billy. Extra-Fund Investment Limited, a wholly owned subsidiary of Shell Electric Holdings Limited, was the beneficial owner of such 10,823,500 shares. Shell Electric Holdings Limited was in turn held 83.18% by Red Dynasty Investments Ltd. Red Dynasty Investments Ltd is 100% held by Mr. Yung Kwok Kee, Billy. Mr. Yung Kwok Kee, Billy was taken to be interested in such 10,823,500 shares by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2011, the following persons (other than Directors or the Chief Executive of the Company) were interested in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of substantial shareholder	Capacity	Nature of interests	Number of ordinary shares held	Aggregate long position	Percentage of aggregate long position in shares to the issued share capital of the Company (Note 1)
China State Construction Engineering Corporation ("CSCEC")	Interest of controlled corporation (Note 2)	Interest in controlled corporation	576,822,366	576,822,366	37.91%
Diamond Key Enterprises Inc. ("Diamond Key")	Beneficial owner (Note 3)	Beneficial	149,513,046	149,513,046	9.83%
On Fat Profits Corporation ("On Fat")	Beneficial owner (Note 3)	Beneficial	104,465,580	104,465,580	6.87%
UBS Trustees (BVI) Limited ("UBS Trustees")	Trustees of trusts (Note 3)	Other	253,978,626	253,978,626	16.69%
Kentrise Company Inc.	Beneficial owner (Note 4)	Beneficial	144,670,185	144,670,185	9.51%
Mr. Cheng Yang	Interest of controlled corporation (Note 4)	Interest in controlled corporation	144,670,185	144,670,185	9.51%
Mr. Wang Tao Guang	Beneficial Owner	Beneficial	150,589,183	150,589,183	9.90%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (CONTINUED)

Save as disclosed above, the Company had not been notified by any other person (other than Directors or the Chief Executive of the Company) who had an interest in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 December 2011.

Notes:

(1) The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 December 2011 (i.e. 1,521,493,263 shares).

(2) CSCEC is interested in 576,822,366 shares which comprises of 555,687,366 shares held by Star Amuse Limited ("Star Amuse") and 21,135,000 shares held by Chung Hoi Finance Limited ("Chung Hoi"). Star Amuse is a wholly-owned subsidiary of Big Crown Limited ("Big Crown"). Big Crown and Chung Hoi are wholly-owned subsidiaries of COLI which in turn is a non-wholly owned subsidiary of COHL. COHL is a subsidiary of CSCECL which in turn is a non-wholly owned subsidiary of CSCEC.

(3) 253,978,626 shares held by UBS Trustees (comprises 149,513,046 shares and 104,465,580 shares held by Diamond Key and On Fat respectively) are disclosed in the section headed "Directors' and Chief Executive's Interests in Securities" above as being held under a trust with Mr. Yung Kwok Kee, Billy and his spouse as the beneficiaries. None of the Directors are directors or employees of On Fat and Diamond Key.

(4) Kentrise Company Inc. is beneficially wholly owned by Mr. Cheng Yang.

CONNECTED TRANSACTIONS ENTERED BY THE GROUP

(a) Connected Transactions

On 4 August 2011, 呼和浩特市中海宏洋地產有限公司 (Hohhot China Overseas Grand Oceans Property Company Limited*) ("Hohhot Company"), a subsidiary of the Company, entered into the Project Design Agreement with 香港華藝設計顧問(深圳)有限公司 (Hong Kong Hua Yi Design Consultants (Shenzhen) Limited*) (the "Consultant"), a subsidiary of COLI. According to the Project Design Agreement, Hohhot Company engaged the Consultant as the project design consultant to provide design related services for a development project located at Sites J11-2, Glorious City, Saihan District, Hohhot City, PRC for a consultancy fee of not more than RMB6,300,000.

Since the Consultant is one of the subsidiaries of COLI, a controlling shareholder of the Company, the Consultant is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into the Project Design Agreement constitutes a connected transaction of the Group.

(b) Continuing Connected Transactions

(1) CSCECL Group Engagement Agreement with CSCECL

On 29 March 2011, the Company and CSCECL entered into the CSCECL Group Engagement Agreement, whereby the Company and its subsidiaries may engage the CSCECL Group as construction contractor in the PRC upon successful tender for a term of three years commencing from 1 June 2011 and ending on 31 May 2014 provided that the total contract sum that may be awarded by the Group to the CSCECL Group for the period between 1 June 2011 and 31 December 2011 shall not exceed HK$850,000,000, for each of the two years ending 31 December 2013 shall not exceed HK$850,000,000, and for the period between 1 January 2014 and 31 May 2014 shall not exceed HK$800,000,000.

CSCECL is an intermediate holding company of COLI, a controlling shareholder of the Company. Accordingly, CSCECL is a connected person of the Company by virtue of it being an associate of COLI. The transactions contemplated under the CSCECL Group Engagement Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(2) Trademark Licence Agreement with COLI

On 6 April 2011, the Company and COLI entered into the Trademark Licence Agreement, pursuant to which COLI grants the Company a non-exclusive licence to use the trademark "中海地產" in the PRC for a term commencing from 6 April 2011 and ending on 31 March 2014. The royalty payable in arrears by the Company under the Trademark Licence Agreement is one per cent of the Group's audited annual turnover for each financial year ending on 31 December 2011, 2012

(2) Trademark Licence Agreement with COLI (Continued)

and 2013 respectively provided that the royalty payable for each of the 12-month period between 1 April 2012 and 31 March 2014 shall not exceed HK$100 million.

COLI is a controlling shareholder of the Company and therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into the Trademark Licence Agreement constitutes a continuing connected transaction of the Company.

(3) Property Lease Agreements with 北京中海豪峰地產開發有限公司 (Beijing Zhong Hai Hao Feng Real Estate Development Co., Ltd.) and 北京嘉益德房地產開發有限公司 (Beijing Jia Yi De Real Estate Development Co., Ltd.*) (collectively, referred to as the "Tenants")*

On 2 August 2011, 北京中京藝苑房地產開發有限責任公司 (Beijing Zhong Jing Yi Yuan Real Estate Development Company Limited*), a subsidiary of the Company, entered into the following Property Lease Agreements with the Tenants respectively and the principal terms of the agreements are set out below:

Address of premises	Area of premises	Use	Annual Rent and Cap	Lease Term
22nd Floor, China Overseas International Center, No.28 Pinganlixi Avenue, Xicheng District, Beijing	2,355.22 sq.m.	Office	RMB8.31 million or RMB692,435 per month. The rent is payable quarterly.	1 August 2011 to 31 July 2014
Units 01, 02, 03 & 09, 23rd Floor, China Overseas International Center, No.28 Pinganlixi Avenue, Xicheng District, Beijing	1,181.2 sq.m.	Office	RMB4.167 million or RMB347,273 per month. The rent is payable quarterly.	1 August 2011 to 31 July 2014
			Annual Cap: RMB12.477 million.	

Since the Tenants are subsidiaries of COLI, a controlling shareholder of the Company, the Tenants are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into the Property Lease Agreements constitutes a continuing connected transaction of the Company.

(4) Framework Agreement with 中海物業管理有限公司 (China Overseas Property Management Co., Ltd.) ("COPM")*

On 3 August 2011, the Company and COPM (a subsidiary of COLI) entered into the Framework Agreement, whereby the Company and its subsidiaries may engage COPM group as property manager in the PRC upon successful tender for a term of three years commencing from 3 August 2011 and ending on 31 July 2014 provided that the total management fee payable under the Framework Agreement for the period from 3 August 2011 to 31 July 2012 and for each of the 12-month period between 1 August 2012 and 31 July 2014 shall not exceed RMB25.2 million, RMB33.6 million and RMB33.0 million respectively.

COPM is one of the subsidiaries of COLI, a controlling shareholder of the Company, COPM is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into the Framework Agreement constitutes a continuing connected transaction of the Company.

* *English or Chinese translation, as the case may be, is for identification only.*

REVIEW BY AUDIT COMMITTEE MEMBERS AND AUDITOR

The independent non-executive Directors have reviewed the above continuing connected transactions during the year and confirmed that the transactions were entered into:

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

(2) on normal commercial terms and no less favourable than those available to or from independent third parties; and

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 34 to 35 of the annual report in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company has complied with the requirements set out in Chapter 14A of the Listing Rules.

Save as disclosed above, no contracts of significance to which the Company, its subsidiaries, holding companies or associated companies was a party subsisted at any time during the year or at the end of the year.

INTEREST IN CONTRACTS OF SIGNIFICANCE

The transactions set out in items (b)(1) to (4) of the section "Connected Transactions Entered by the Group" above are considered contracts of significance under paragraph 15 of Appendix 16 of the Listing Rules.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2011, sales to the Group's five largest customers together represented less than 30% of the Group's total turnover and purchases from the Group's five largest suppliers together represented less than 30% of the Group's total purchases.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on public information available to the Company and to the best knowledge of the Directors, the Company maintained sufficient public float, being no less than 25% of the issued share capital of the Company as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in note 50 to the financial statements.

AUDITOR

The financial statements for the year ended 31 December 2009 were audited by Grant Thornton Hong Kong ("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 reappointed as auditor of the Company effective from 29 November 2010. The financial statements for the years ended 31 December 2010 and 2011 were audited by BDO.

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

On behalf of the Board

Hao Jian Min
Chairman and Non-executive Director

Hong Kong, 28 February 2012

Independent Auditor's Report

BDO

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To the shareholders of China Overseas Grand Oceans Group Limited
中國海外宏洋集團有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Overseas Grand Oceans Group Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 38 to 132, 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 Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate no. P04092

Hong Kong, 28 February 2012

BDO Limited
香港立信德豪會計師事務所有限公司

BDO Limited, a Hong Kong limited company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Continuing operations			
Revenue	5	5,165,720	3,512,903
Cost of sales and services provided		(2,170,138)	(1,949,931)
Gross profit		2,995,582	1,562,972
Other income	7	29,918	53,661
Distribution and selling expenses		(131,272)	(68,362)
Administrative expenses		(201,944)	(175,041)
Other operating expenses		(61,576)	(7,183)
Other gains, net			
Fair value gain on reclassification of inventories of properties to investment properties	16	238,188	313,836
Fair value gain on investment properties	16	116,915	68,742
Reversal of impairment on assets, net		18,168	2,300
Gain on disposal of a subsidiary	41	213,340	251,689
Gain on disposal of investment properties		37,584	–
Gain arising from acquisitions of subsidiaries	40	135,700	–
Others		16,068	939
Operating profit		3,406,671	2,003,553
Finance costs	9	(33,497)	(19,841)
Share of results of jointly controlled entities		7,579	2,114
Profit before income tax	8	3,380,753	1,985,826
Income tax expense	10	(1,575,935)	(860,835)
Profit for the year from continuing operations		1,804,818	1,124,991
Discontinued operations			
Profit for the year from discontinued operations	11	–	17,926
Profit for the year		1,804,818	1,142,917
Profit/(Loss) for the year attributable to:			
Owners of the Company	12	1,815,418	1,001,120
Non-controlling interests		(10,600)	141,797
		1,804,818	1,142,917
		HK Cents	HK Cents (Restated)
Earnings per share	14		
Basic			
– From continuing and discontinued operations		125.0	93.3
– From continuing operations		125.0	91.6
– From discontinued operations		–	1.7
Diluted			
– From continuing and discontinued operations		119.9	91.8
– From continuing operations		119.9	90.1
– From discontinued operations		–	1.7

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**1,804,818**	1,142,917
Other comprehensive income		
Exchange difference arising from translation of overseas operations		
– subsidiaries	**202,157**	78,784
– associates and jointly controlled entities	**3,343**	7,797
	205,500	86,581
Reclassification from assets revaluation reserve to profit or loss upon sales of inventories of properties	**(23,981)**	(89,081)
Tax effect	**8,161**	32,481
	(15,820)	(56,600)
Fair value adjustment upon transfer of owner-occupied properties to investment properties	**38,934**	–
Tax effect	**(19,442)**	–
	19,492	–
Other comprehensive income for the year, net of tax	**209,172**	29,981
Total comprehensive income for the year	**2,013,990**	1,172,898
Total comprehensive income attributable to:		
Owners of the Company	**2,014,578**	1,030,283
Non-controlling interests	**(588)**	142,615
	2,013,990	1,172,898

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment properties	16	**1,883,563**	1,309,549
Property, plant and equipment	17	**27,847**	40,214
Prepaid lease rental on land	18	**1,970**	3,458
Goodwill	19	**70,475**	86,258
Other intangible assets	20	**37,065**	39,870
Interests in jointly controlled entities	23	**73,292**	229,449
Deferred tax assets	37	**294,656**	96,442
		2,388,868	1,805,240
Current assets			
Inventories of properties	24	**12,392,881**	5,068,407
Other inventories	25	**879**	840
Trade and other receivables, prepayments and deposits	26	**1,903,391**	1,683,279
Prepaid lease rental on land	18	**52**	85
Amounts due from jointly controlled entities	28	**49,340**	123,644
Amounts due from non-controlling interests	28	**11,965**	11,399
Tax prepaid		**108,290**	14,863
Restricted cash and deposits	29	**805,204**	337,415
Cash and cash equivalents	29	**2,021,223**	1,890,555
		17,293,225	9,130,487
Current liabilities			
Trade and other payables	30	**2,172,589**	1,573,126
Sales deposits received		**3,786,608**	1,876,686
Amount due to a jointly controlled entity	31	**246**	234
Amounts due to non-controlling interests	31	**573,172**	–
Consideration payable for acquisition of a subsidiary	32	**78,327**	67,726
Taxation liabilities		**2,193,409**	1,306,294
Borrowings	33	**1,387,066**	937,810
		10,191,417	5,761,876
Net current assets		**7,101,808**	3,368,611
Total assets less current liabilities		**9,490,676**	5,173,851

	Notes	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Borrowings	33	**2,615,641**	1,309,690
Consideration payable for acquisition of non-controlling interests	34	**–**	505,803
Deferred tax liabilities	37	**1,443,005**	560,079
		4,058,646	2,375,572
Net assets		**5,432,030**	2,798,279
Capital and reserves			
Share capital	35	**15,215**	7,675
Other reserves	36	**2,836,230**	1,850,801
Retained profits	36	**2,218,487**	721,234
Proposed dividend	13	**76,075**	95,704
Equity attributable to owners of the Company		**5,146,007**	2,675,414
Non-controlling interests		**286,023**	122,865
Total equity		**5,432,030**	2,798,279

Chen Bin
Director

Wang Man Kwan, Paul
Director

Statement of Financial Position

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	17	**1,219**	884
Interests in subsidiaries	21	**1,944,077**	1,944,077
		1,945,296	1,944,961
Current assets			
Other receivables, prepayments and deposits	26	**2,333**	962
Amounts due from subsidiaries	27	**1,303,050**	568,445
Cash and cash equivalents	29	**39,805**	183,356
		1,345,188	752,763
Current liabilities			
Other payables and accruals	30	**5,621**	3,045
Borrowings	33	**75,000**	–
		80,621	3,045
Net current assets		**1,264,567**	749,718
Total assets less current liabilities		**3,209,863**	2,694,679
Non-current liabilities			
Borrowings	33	**675,000**	–
Consideration payable for acquisition of non-controlling interests	34	**–**	505,803
		675,000	505,803
Net assets		**2,534,863**	2,188,876
Capital and reserves			
Share capital	35	**15,215**	7,675
Other reserves	36	**2,128,835**	1,578,927
Retained profits	36	**314,738**	506,570
Proposed dividend	13	**76,075**	95,704
Total equity		**2,534,863**	2,188,876

Chen Bin
Director

Wang Man Kwan, Paul
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium* HK$'000	Capital redemption reserve* HK$'000	Share-based payment reserve of subsidiaries* HK$'000	Translation reserve* HK$'000	Assets revaluation reserve* HK$'000	Statutory reserve* HK$'000	Distribution reserve* HK$'000	Other reserve* HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010	261,742	640,099	44,822	143,120	255,484	95,450	64,130	–	–	1,366,796	2,871,643	459,552	3,331,195
Net profit for the year	–	–	–	–	–	–	–	–	–	1,001,120	1,001,120	141,797	1,142,917
Exchange difference arising from translation of overseas operations													
– subsidiaries	–	–	–	–	59,174	–	–	–	–	–	59,174	19,610	78,784
– associates and jointly controlled entities	–	–	–	–	7,797	–	–	–	–	–	7,797	–	7,797
Reclassification from assets revaluation reserve to profit or loss upon sales of inventories of properties	–	–	–	–	–	(37,808)	–	–	–	–	(37,808)	(18,792)	(56,600)
Total comprehensive income for the year	–	–	–	–	66,971	(37,808)	–	–	–	1,001,120	1,030,283	142,615	1,172,898
Capital Reorganization *(notes 11 & 35(a))*	(256,507)	(640,099)	–	–	–	–	–	896,606	–	–	–	–	–
Transfer to PRC statutory reserve	–	–	–	–	–	–	13,270	–	–	(13,270)	–	–	–
Recognition of share-based payments *(notes 38(c) & (d))*	–	–	–	51,310	–	–	–	–	–	–	51,310	21,990	73,300
Distribution in Specie *(note 11)*	–	–	–	–	(156,679)	(1,645)	(6,791)	(896,606)	–	(891,186)	(1,952,907)	(12,079)	(1,964,986)
Subscription of new shares *(notes 11 & 35(c))*	1,570	453,861	–	–	–	–	–	–	–	–	455,431	–	455,431
Placing of new shares *(note 35(d))*	410	204,590	–	–	–	–	–	–	–	–	205,000	–	205,000
Issue of new shares to settle options *(notes 35(e) & 38(c))*	460	33,378	–	(154,583)	–	–	–	–	154,345	–	33,600	–	33,600
Share issue expenses *(notes 35(c), (d) & (e))*	–	(9,245)	–	–	–	–	–	–	–	–	(9,245)	–	(9,245)
Deemed disposal of interests in a subsidiary *(note 38(d))*	–	–	–	(39,847)	(4,852)	–	–	–	–	19,223	(25,476)	33,500	8,024
Disposal of a subsidiary *(note 41(b))*	–	–	–	–	–	–	–	–	–	–	–	(1,135)	(1,135)
Acquisition of non-controlling interests in a subsidiary *(note 39)*	–	–	–	–	–	–	–	–	681,520	(665,745)	15,775	(521,578)	(505,803)
Transactions with owners	2,440	682,584	–	(143,120)	(161,531)	(1,645)	(6,791)	(896,606)	835,865	(1,537,708)	(1,226,512)	(479,302)	(1,705,814)
At 31 December 2010	7,675	682,584	44,822	–	160,924	55,997	70,609	–	835,865	816,938	2,675,414	122,865	2,798,279

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2011

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium* HK$'000	Capital redemption reserve* HK$'000	Share-based payment reserve of subsidiaries* HK$'000	Translation reserve* HK$'000	Assets revaluation reserve* HK$'000	Statutory reserve* HK$'000	Distribution reserve* HK$'000	Other reserve* HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011	7,675	682,584	44,822	–	160,924	55,997	70,609	–	835,865	816,938	2,675,414	122,865	2,798,279
Net profit/(loss) for the year	–	–	–	–	–	–	–	–	–	1,815,418	1,815,418	(10,600)	1,804,818
Exchange difference arising from translation of overseas operations													
– subsidiaries	–	–	–	–	192,145	–	–	–	–	–	192,145	10,012	202,157
– jointly controlled entities	–	–	–	–	3,343	–	–	–	–	–	3,343	–	3,343
Reclassification from assets revaluation reserve to profit or loss upon sales of inventories of properties	–	–	–	–	–	(15,820)	–	–	–	–	(15,820)	–	(15,820)
Fair value adjustment upon transfer of owner-occupied properties to investment properties	–	–	–	–	–	19,492	–	–	–	–	19,492	–	19,492
Total comprehensive income for the year	–	–	–	–	195,488	3,672	–	–	–	1,815,418	2,014,578	(588)	2,013,990
Transfer to PRC statutory reserve	–	–	–	–	–	–	236,361	–	–	(236,361)	–	–	–
2010 Final dividend *(note 13(b))*	–	–	–	–	–	–	–	–	–	(101,433)	(101,433)	–	(101,433)
Issue of new shares to settle consideration for acquisition of non-controlling interests *(note 35(f))*	2,468	1,236,721	–	–	–	–	–	–	(681,520)	–	557,669	–	557,669
Bonus Share Issue *(note 35(g))*	5,072	(5,072)	–	–	–	–	–	–	–	–	–	–	–
Share issue expenses *(notes 35 (f) & (g))*	–	(221)	–	–	–	–	–	–	–	–	(221)	–	(221)
Acquisition of a subsidiary *(note 40(a))*	–	–	–	–	–	–	–	–	–	–	–	98,263	98,263
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	65,483	65,483
Transactions with owners	7,540	1,231,428	–	–	–	–	–	–	(681,520)	(101,433)	456,015	163,746	619,761
At 31 December 2011	15,215	1,914,012	44,822	–	356,412	59,669	306,970	–	154,345	2,294,562	5,146,007	286,023	5,432,030

* the total of these equity accounts as at reporting date represents "other reserves" in the consolidated statement of financial position

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Operating activities			
Profit before income tax from continuing operations		3,380,753	1,985,826
Profit before income tax from discontinued operations	11	–	28,133
Profit before income tax		3,380,753	2,013,959
Adjustments for:			
Share of results of associates		–	(3,312)
Share of results of jointly controlled entities		(7,579)	(2,441)
Fair value gain on reclassification of inventories of properties to investment properties		(238,188)	(313,836)
Fair value gain on investment properties		(116,915)	(72,522)
Fair value loss on investments held for trading		–	1,497
Gain on disposal of a subsidiary		(213,340)	(251,689)
Gain on disposal of investment properties		(37,584)	–
Gain on disposal of property, plant and equipment		(16,127)	(3,151)
Gain arising from acquisitions of subsidiaries		(135,700)	–
Depreciation and amortization		8,942	12,002
Allowance for other inventories		–	1,408
Reversal of impairment on financial and non-financial assets, net		(18,168)	(3,654)
Reversal of write down of inventories of properties		–	(34,497)
Write-off of property, plant and equipment		201	971
Equity-settled share-based payments		–	73,300
Interest income		(27,701)	(22,178)
Finance costs		33,497	20,935
Exchange difference		2,401	27,712
Operating cash flows before movements in working capital		2,614,492	1,444,504
(Increase)/Decrease in inventories of properties		(4,204,755)	1,332,144
Decrease/(Increase) in other inventories		3	(2,722)
Increase in trade and other receivables, prepayments and deposits		(66,556)	(1,177,008)
Decrease/(Increase) in amounts due from jointly controlled entities		1,767	(425)
Increase in amount due from an investee		–	(2,141)
Increase in amounts due from non-controlling interests		–	(7,051)
Increase in investments held for trading		–	(37,965)
Decrease in trade and other payables		(345,533)	(830,099)
Increase in sales deposits received		1,598,595	482,809
Increase in amount due to an associate		–	4
Increase in amounts due to related companies		–	28,023
Decrease in amount due to non-controlling interests		–	(83,028)
Cash (used in)/generated from operations		(401,987)	1,147,045
Income taxes paid		(829,629)	(244,707)
Net cash (used in)/generated from operating activities		(1,231,616)	902,338

	Notes	2011 HK$'000	2010 HK$'000
Investing activities			
Proceeds from disposal of a subsidiary	41	213,340	360,953
Proceeds from disposal of investment properties		76,209	1,506
Proceeds from disposal of property, plant and equipment		24,014	5,609
Interest received		27,737	22,134
Purchase of property, plant and equipment		(9,348)	(4,220)
Settlement of outstanding consideration for acquisition of a subsidiary		(69,461)	(8,933)
Payments in relation to acquisitions of subsidiaries, net	40	(217,591)	–
Advancement of loans receivable, net		–	(61)
Increase in restricted cash and deposits		(412,230)	(199,578)
Net cash (used in)/generated from investing activities		(367,330)	177,410
Financing activities			
New bank borrowings and other loan		2,943,792	1,230,700
Repayment of bank borrowings and other loan		(1,311,366)	(546,723)
Dividends paid		(101,433)	–
Distribution in Specie	11	–	(522,127)
Interest paid		(166,732)	(108,545)
Proceeds from issue of new shares under Subscription	35(c)	–	455,431
Proceeds from issue of new shares under placing	35(d)	–	205,000
Proceeds from issue of new shares to settle options	35(e)	–	33,600
Share issue expenses		(221)	(9,245)
Capital injection from non-controlling interests		65,483	8,024
Increase in amounts due to non-controlling interests		211,071	–
Repayment of amount due to a related company		–	(797,922)
Net cash generated from/(used in) financing activities		1,640,594	(51,807)
Net increase in cash and cash equivalents		41,648	1,027,941
Cash and cash equivalents at 1 January		1,890,555	853,072
Effect of foreign exchange rate change, on cash held		89,020	9,542
Cash and cash equivalents at 31 December		2,021,223	1,890,555

1. GENERAL INFORMATION

China Overseas Grand Oceans Group Limited (the "Company") is a limited liability company incorporated in the Hong Kong Special Administrative Region ("Hong Kong"), the People's Republic of China (the "PRC") and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the Company's registered office and principal place of business is Suite 3012, 30th Floor, One Pacific Place, 88 Queensway, Hong Kong.

The principal activities of the Company and its subsidiaries (collectively, the "Group") mainly comprise property investment and development, property leasing and investment holding. The Group's business activities are principally carried out in Beijing, Guangzhou, Guilin, Hefei, Hohhot-Inner Mongolia, Jilin, Lanzhou, Nanning, Yinchuan and other regions in the PRC.

As at 31 December 2010, the Group was controlled by China Overseas Land & Investment Limited ("COLI"), a company incorporated in Hong Kong with limited liability and its shares are listed on the Stock Exchange and the ultimate parent company of the Group was China State Construction Engineering Corporation ("CSCEC"), an entity established in the PRC. Pursuant to the issue of an aggregate of 189,493,224 shares and 57,292,355 shares on 22 February 2011 and 5 May 2011 respectively as further detailed in note 35(f), the shareholding of the Company held by COLI was diluted and the Company has become an associated company of COLI since February 2011.

The consolidated financial statements on pages 38 to 132 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. In addition, the financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The financial statements for the year ended 31 December 2011 were approved for issue by the board of directors (the "Board") on 28 February 2012.

2. ADOPTION OF NEW AND REVISED HKFRSs

(a) Adoption of new/revised HKFRSs – effective 1 January 2011

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations 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:

HKAS 24 (Revised)	Related Party Disclosures
HKFRSs (Amendments)	Improvements to HKFRSs 2010

HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with government entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition and as a consequence has amended the disclosures of its related party transactions in the current and comparative periods to include transactions with subsidiaries of the Group's jointly controlled entities. The Group has also disclosed the transactions with the counterparties which are under common control, joint control or significant influence of a government, government agency or similar body following the requirement of HKAS 24 (Revised). The adoption of the revised standard has no impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 47.

2. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(a) Adoption of new/revised HKFRSs – effective 1 January 2011 (Continued)

Improvements to HKFRSs 2010

In May 2010, the HKICPA issued "Improvements to HKFRSs 2010" which sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. With the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

(i) *HKFRS 3 Business Combinations*

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS. The Group has amended its accounting policies for measuring non-controlling interests but the adoption of the amendment has had no impact on the Group's financial statements as the non-controlling interests in the business acquisition in 2011 (note 40(a)) represented such present ownership interests.

(ii) *HKAS 1 Presentation of Financial Statements*

The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

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

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets [1]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets [2]
Amendments to HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income [3]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities [5]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities [4]
HKAS 19 (2011)	Employee Benefits [4]
HKAS 27 (2011)	Separate Financial Statements [4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [4]
HKFRS 9	Financial Instruments [6]
HKFRS 10	Consolidated Financial Statements [4]
HKFRS 11	Joint Arrangements [4]
HKFRS 12	Disclosure of Interests in Other Entities [4]
HKFRS 13	Fair Value Measurements [4]

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

2. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

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

Amendments to HKFRS 7 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.

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 amendment will be applied retrospectively.

Amendments to HKAS 1 (Revised) Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortized cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and losses will be recognized in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognize the gains and losses in other comprehensive income. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

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

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

2. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

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

HKFRS 10 Consolidated Financial Statements

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

HKFRS 11 Joint Arrangements

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognize its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

HKFRS 12 Disclosure of Interests in Other Entities

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

HKFRS 13 Fair Value Measurements

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

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.1 Basis of preparation

These financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair values. Disposal groups and non-current assets held for sale (other than investment properties) are stated at the lower of their carrying amounts and fair values less costs to sell. The measurement bases are fully described in the accounting policies below.

Accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge and judgement of current events and conditions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's financial statements, are disclosed in note 4.

3.2 Business combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 3.3 below) made up to 31 December each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions, balances and unrealized gains and losses on transactions within the Group are eliminated on consolidation. Unrealized losses resulting from intercompany transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

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 in exchange for control of the acquiree. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. If the business combination is achieved in stage, 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 recognized in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by another HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments, in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognized at acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration are recognized 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 changes to contingent consideration classified as an asset or a liability are recognized in accordance with HKAS 39 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured.

Goodwill arising on business combination is measured according to the policies in note 3.5.

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 recognized directly in equity and attributed to owners of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Business combination and basis of consolidation (Continued)

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

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, and also the cumulative translation differences recorded in equity. Amounts previously recognized 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.

3.3 Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The results of the subsidiaries are included in the Company's income statement to the extent of dividend received and receivable.

The Company's investments in subsidiaries are stated at cost less any impairment losses, unless they are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (note 3.9).

3.4 Associates and jointly controlled entities

A jointly controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity. An associate is an entity, not being a subsidiary or a jointly controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

Interests in associates and jointly controlled entities are accounted for in the financial statements under the equity method of accounting. Under equity method of accounting, investments are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the associates' and the jointly controlled entities' net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, less any identified impairment loss. Where the profit sharing ratio is different to the Group's equity interest in a jointly controlled entity, the share of post-acquisition results of the jointly controlled entity is determined based on the agreed profit sharing ratio. The Group's share of the post-acquisition post-tax items of statement of other comprehensive income of the associates and jointly controlled entities is included in the statement of other comprehensive income.

Unrealized profit on transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associates and jointly controlled entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

When the Group's share of losses in an associate/a jointly controlled entity equals or exceeds its interest in the associate/jointly controlled entity, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate/jointly controlled entity.

When an interest in an associate or a jointly controlled entity is classified as held for sale, it is accounted for in accordance with HKFRS 5 (note 3.9).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Goodwill

Goodwill arising from the acquisition of subsidiaries, associates and jointly controlled entities represents the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the Group's interest in the fair value of the identifiable assets acquired and liabilities assumed including contingent liabilities as at the date of acquisition.

Goodwill arising on acquisition is initially recognized in the consolidated statement of financial position as an asset at cost and subsequently measured at cost less any accumulated impairment losses. In case of associates and jointly controlled entities, goodwill is included in the carrying amount of the interests in associates and jointly controlled entities, respectively, rather than recognized as a separate asset in the consolidated statement of financial position.

Goodwill is reviewed for impairment annually at the end of the reporting period or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired (note 3.12). On subsequent disposal of a subsidiary, an associate or a jointly controlled entity, the carrying amount of goodwill relating to the entity sold is included in determining the amount of the gain or loss on disposal.

3.6 Bargain purchases in business combinations

Any excess of the Group's interest in the fair value of the acquirees' net identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree is recognized immediately in profit or loss.

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 each reporting period. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognized in profit or loss. Rental income from investment properties is accounted for as described in note 3.28(iv).

For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is its fair value at the date of change in use. For property occupied by the Group as an owner-occupied property which becomes an investment property, the Group accounts for such property in accordance with the policy of property, plant and equipment (note 3.8) up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with in assets revaluation reserve. On disposal of the property, the assets revaluation reserve is transferred to retained profits as a movement in reserves.

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 recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Property, plant and equipment

Freehold land is stated at cost and is not depreciated. Other property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (note 3.12). When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 (note 3.9).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is provided to write off the cost of each item of property, plant and equipment less its residual value, if applicable, over its estimated useful lives on a straight-line basis at the following rates per annum:

Category of property, plant and equipment	*Annual rates*
Land and buildings (*note 3.11*)	2% to 5%
Leasehold improvements	20%
Plant, machinery, tools, moulds and equipment	10% to 20%
Furniture, fixtures and office equipment	10% to 33.33%
Motor vehicles	20% to 25%

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognized in profit or loss.

3.9 Non-current assets and disposal groups held for sale/held for distribution to owners

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups. Non-current assets and disposal groups are classified as held for distribution to owners when the entity is committed to distribute the assets or the disposal groups to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. Non-current assets and disposal groups (other than investment properties) classified as held for sale/distribution are measured at the lower of the assets' previous carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets classified as held for sale/distribution are not depreciated or amortized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Intangible assets (Other than goodwill)

Intangible assets are recognized initially at cost. After initial recognition, intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment (note 3.12) whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortized but reviewed for impairment at least annually (note 3.12) either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Shopping mall operating right

Shopping mall operating right represents the right of operating a shopping mall. Cost incurred in the acquisition of the right is carried at cost less any impairment losses and is amortized over the period of operation of 30 years.

3.11 Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rental receivable under the operating leases are credited to profit or loss on a straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received or receivable, are charged to profit or loss on a straight-line basis over the lease terms.

Prepaid lease rental on land are up-front prepayments made for the leasehold land and land use rights which are stated at cost less accumulated amortization and any impairment losses. Amortization is calculated on a straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in cost of land and buildings as a finance lease in property, plant and equipment (note 3.8).

When the Group's interests in leasehold land and buildings are in the course of development for sale in ordinary course of business, the leasehold land component is included in properties under development and properties held for sale. During the development period of such properties, the amortization charge of the prepaid land lease is capitalized as part of the building costs but charged to profit or loss on completion of development of such properties.

3.12 Impairment of non-financial assets

Goodwill, other intangible assets, property, plant and equipment, prepaid lease rental on land and investments in subsidiaries and jointly controlled entities are subject to impairment testing. Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the assets' carrying amount may not be recoverable.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Impairment of non-financial assets (Continued)

Impairment losses recognized 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 recognized 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 but 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 amortization) had no impairment loss been recognized.

A reversal of such impairment is credited to profit or loss in the period in which it arises unless that asset is carried at revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for the revalued amount.

3.13 Investments and other financial assets

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

All financial assets are recognized when, and only when, the Group becomes a party to the contractual provisions of the instrument. The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract when the analysis shows that the economic characteristics and the risks of the embedded derivatives are not closely related to those of the host contract.

All regular way purchases and sales of financial assets are recognized on trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

When financial assets are recognized initially, they are measured at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss. 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

Financial assets of the Group are classified into loans and receivables. Loans and receivables including amounts due from related parties are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired as well as through the amortization process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment of financial assets

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

Objective evidence of impairment of individual financial assets includes observable data that come 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 reorganization;
- 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 include 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.

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 impairment loss is recognized in profit or loss of the period in which the impairment occurs. The carrying amount of loans and receivables is reduced through the use of an allowance account. Loan and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

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 recognized, the previously recognized impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal is recognized in profit or loss of the period in which the reversal occurs.

3.15 Inventory of properties

Inventory of properties comprises properties under development and properties held for sale. Properties under development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for sale purposes. Inventory of properties is stated at the lower of cost and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost to completion and estimated selling expenses. The costs of inventory of properties consist of land held under operating lease (see note 3.11), development expenditures including construction costs, borrowing costs and other direct costs attributable to the development of such properties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Other inventories

Other inventories are stated at the lower of cost, computed using weighted average method, and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

3.17 Foreign currencies

The financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. In the separate 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. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

The functional currencies of certain entities of the Group are currencies other than HK$. For the purpose of the consolidated financial statements, assets and liabilities of those entities at the end of each reporting period are translated into HK$ at exchange rate prevailing on the end of each reporting period. Income and expense items are translated into HK$ at the average exchange rate for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the Group's translation reserve. Such translation differences are recognized in profit or loss in the period in which the foreign entity is disposed of.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Exchange differences arising are recognized in the translation reserve.

3.18 Cash and cash equivalents

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

3.19 Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

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 end of reporting period. 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 period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Income tax (Continued)

Deferred tax is calculated using the liability method on temporary differences at the end of each reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized 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 temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilized.

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

3.21 Financial liabilities

Financial liabilities, comprising borrowings and trade and other payables including amounts due to related parties, are recognized when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognized in accordance with the Group's accounting policy for borrowing costs (note 3.20). A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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

Financial liabilities at amortized costs

Borrowings and trade and other payables including amounts due to related parties are financial liabilities at amortized cost which are recognized initially at fair value (net of transaction costs incurred for borrowings) and subsequently measured at amortized cost using the effective interest method. Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through amortization process.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Financial guarantee contracts

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

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income. The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 3.25 if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognized less accumulated amortization, where appropriate.

3.23 Employee benefits

Salaries, allowance, paid annual leave and other benefits are accrued in the period in which the associated services are rendered by the employee. Payments to the Mandatory Provident Fund Scheme and other retirement benefit schemes as set out in note 42 are charged as an expense when employees have rendered services entitling them to the contributions.

3.24 Share-based payment transactions

The Group operates equity-settled share-based compensation plans as part of the remuneration of its employees. All employee services received in exchange for the grant of financial instruments, for example, share options are measured at their fair values. The cost of equity-settled share-based compensation is measured by reference to the fair value at the date on which they are granted. In determining the fair value, no account is taken of any non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based compensation is ultimately recognized as an expense in profit or loss unless it qualifies for recognition as asset with a corresponding increase in equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

In respect of share options, the fair value of the share options granted by the Group to its employees is recognized in profit or loss with a corresponding increase in share-based payment reserve. Upon exercise of the share options, the amount in the share-based payment reserve is transferred to the share premium account. In case the share options lapsed, the amount in the share-based payment reserve is released directly to retained profits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Provisions and contingent liabilities

Provision is recognized when the Group has a present obligation 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. When the effect of discounting is material, provision is stated at the present value of the expenditure expected to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss. All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

3.26 Equity instruments

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

3.27 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within equity, until they have been approved by the shareholders in a general meeting. When these dividends are approved and declared, they are recognized as a liability. Interim dividends are simultaneously proposed and declared and consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

3.28 Revenue and other income recognition

Revenue and other income are recognized when it is probable that the economic benefits will flow to the Group and when the income can be measured reliably on the following bases:

(i) Sales of goods are recognized as revenue when goods are delivered and title has passed.

(ii) Sale of properties is recognized as revenue when all of the following criteria are met:

- the significant risks and rewards of ownership of the properties are transferred to buyers;
- neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the properties are retained;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sale of properties is usually taken as the time when the construction of the respective properties has been completed and the properties have been delivered to the buyers.

Deposits received on properties sold prior to the date of revenue recognition are included in the statement of financial position as sales deposits received under current liabilities.

(iii) Interest income is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

(iv) Rental income is recognized on a straight-line basis over the periods of the respective tenancies.

(v) Building management and service fee income are recognized on an appropriate basis over the relevant period in which the services are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.29 Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(a) The party is a person or a close member of that person's family and that person,

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

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

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

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

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

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

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:

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

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

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

3.30 Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker i.e. the most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities within the next financial period are discussed below:

Estimates of fair value of investment properties

As disclosed in note 16, the 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.

Impairment of assets

The Group reviews at least annually and assesses whether goodwill and other intangible assets with indefinite useful lives have suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit has been determined based on a value in use calculation which requires the use of estimates including expected future cash flows of the asset/cash-generating unit and discount rate adopted to calculate the present value of those cash flows. Details about the estimates used in assessing impairment for goodwill are set out in note 19.

Allowance for loans and receivables

The policy on allowance for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of loans and receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including current creditworthiness and the past collection history of each customer. If the financial conditions of the customers or debtors of the Group deteriorate thus resulting in impairment as to their ability to make payments, additional allowances may be required.

Impairment of inventories of properties

Include in the consolidated statement of financial position at 31 December 2011 is inventories of properties with an aggregate carrying amount of approximately HK$12,392,881,000 (2010: HK$5,068,407,000). Management assessed the recoverability of the amount based on an estimation of the net realisable value of the underlying properties which involves, inter-alia, considerable analyses of current market price of properties of a comparable standard and location, construction costs to be incurred to complete the development based on existing asset structure and construction material price lists and a forecast of future sales based on zero growth rate of property price. If the actual net realisable values of the underlying inventories of properties are more or less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material reversal of or provision for impairment losses may result.

Estimates of current tax and deferred tax

The Group is subject to taxation in various jurisdictions. Significant judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation, particularly for PRC land appreciation tax ("LAT"), and implementation of these taxes varies amongst various PRC cities. The Group has not finalized its LAT calculation and payments with the local tax authorities in the PRC. Accordingly, significant estimation is required in determining the amount of the land appreciation and its related LAT. The Group recognized the income tax and LAT based on management's best estimates according to the understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the tax expense in the period in which the tax calculations are finalized with the local tax authorities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Critical judgements in applying accounting policies

Revenue recognition

The Group has recognized revenue from the sale of properties held for sale as disclosed in note 3.28(ii). The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transactions.

Distinction between investment properties and owner-occupied properties

Some properties of the Group comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

5. REVENUE

The principal activities of the Group are disclosed in note 1. Turnover of the Group is the revenue from these activities. Revenue from the Group's principal activities recognized during the year is as follows:

	Continuing operations		Discontinued operations		Total	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Sales of properties	**4,995,936**	3,398,677	**–**	–	**4,995,936**	3,398,677
Sales of goods	**–**	–	**–**	149,339	**–**	149,339
Property rental income	**109,676**	62,353	**–**	6,912	**109,676**	69,265
Property management fee income	**60,108**	51,873	**–**	–	**60,108**	51,873
Taxi licence fee income	**–**	–	**–**	8,155	**–**	8,155
Total revenue	**5,165,720**	3,512,903	**–**	164,406	**5,165,720**	3,677,309

6. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and assessment of segment performance. The Group has identified the following reportable segments for its operating segments:

Continuing operations

Property investment and development	–	This segment constructs commercial and residential properties in the PRC for external customers. Part of the business is carried out through jointly controlled entities.
Property leasing	–	This segment leases commercial units located in the PRC to generate rental income and gain from appreciation in the properties' values in the long term. Part of the business is carried out through a jointly controlled entity.
Other segment	–	This segment provides management services to certain housing estate in the PRC and generates management fee income.

Discontinued operations

Electrical household appliances	–	This segment manufactures electrical appliances including electric fans, vacuum cleaners, lighting products, fuser and laser scanner. The Group's manufacturing facilities are located primarily in the PRC and products are mainly sold to customers in the PRC and overseas such as North America and European countries.
Property leasing	–	This segment leases industrial properties and commercial units located in Hong Kong, the PRC and the United States to generate rental income and gain from appreciation in the properties' values in the long term. Part of the business is carried out through associates.
Securities trading	–	This segment mainly carries out trading of securities to generate gain from appreciation in the value of the securities.
Car rental	–	This segment carries out taxi rental operation in the PRC and generates licence fee income.
All other segments	–	Operating segments which are not reportable comprise manufacturing and trading of electric cables and trading of computer hardware and software which generate revenue from sales of goods, as well as direct investments which derive gain from holding investments in enterprises engaging in high-tech business.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. Segment profit/loss includes the Group's share of profit/loss arising from the activities of the Group's associates and jointly controlled entities. Reportable segment profit/loss excludes corporate income and expenses from the Group's profit/loss before income tax. Corporate income and expenses are income and expenses incurred by corporate headquarters which are not allocated to the operating segments. Each of the operating segments is managed separately as the resources requirement of each of them is different.

Segment assets include all assets with the exception of corporate assets, including bank balances and cash and other assets which are not directly attributable to the business activities of operating segments as these assets are managed on a group basis.

Segment liabilities include trade and other payables, accrued liabilities, amounts due to related parties and other liabilities directly attributable to the business activities of operating segments and exclude corporate liabilities and liabilities such as bank and other borrowings that are managed on a group basis.

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliations to revenue, profit before income tax, total assets, total liabilities and other segment information are as follows:

	Continuing operations				Discontinued operations						
	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	**Sub-total HK$'000**	Electrical household appliances HK$'000	Property leasing HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	**Sub-total HK$'000**	**Consolidated HK$'000**
Year ended 31 December 2011											
Reportable segment revenue*	4,995,936	109,676	60,108	**5,165,720**	–	–	–	–	–	**–**	**5,165,720**
Reportable segment profit	2,989,940	445,299	5,138	**3,440,377**	–	–	–	–	–	**–**	**3,440,377**
Corporate income				**614**						**–**	**614**
Corporate expenses				**(60,238)**						**–**	**(60,238)**
Profit before income tax				**3,380,753**						**–**	**3,380,753**
											Total HK$'000
As at 31 December 2011											
Reportable segment assets	16,939,871	2,232,440	64,169	**19,236,480**	–	–	–	–	–	**–**	**19,236,480**
Corporate assets											**445,613**
Total consolidated assets											**19,682,093**
As at 31 December 2011											
Reportable segment liabilities	6,732,545	83,505	44,855	**6,860,905**	–	–	–	–	–	**–**	**6,860,905**
Corporate liabilities											**7,389,158**
Total consolidated liabilities											**14,250,063**
Year ended 31 December 2010											
Reportable segment revenue*	3,398,677	62,353	51,873	**3,512,903**	146,482	6,912	–	8,155	2,857	**164,406**	**3,677,309**
Reportable segment profit/(loss)	1,625,283	388,865	2,381	**2,016,529**	11,826	13,364	(1,612)	3,301	(306)	**26,573**	**2,043,102**
Corporate income				**101**						**16,255**	**16,356**
Corporate expenses				**(30,804)**						**(10,825)**	**(41,629)**
Elimination ^				**–**						**(3,870)**	**(3,870)**
Profit before income tax				**1,985,826**						**28,133**	**2,013,959**
											Total HK$'000
As at 31 December 2010											
Reportable segment assets	9,099,619	1,499,114	55,144	**10,653,877**	–	–	–	–	–	**–**	**10,653,877**
Corporate assets											**281,850**
Total consolidated assets											**10,935,727**
As at 31 December 2010											
Reportable segment liabilities	3,389,273	85,453	39,651	**3,514,377**	–	–	–	–	–	**–**	**3,514,377**
Corporate liabilities											**4,623,071**
Total consolidated liabilities											**8,137,448**

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

	Continuing operations					Discontinued operations								
	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	Corporate HK$'000	**Sub-total HK$'000**	Electrical household appliances HK$'000	Property leasing HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Corporate HK$'000	**Sub-total HK$'000**	Elimination^ HK$'000	**Consolidated HK$'000**
Other information														
Year ended 31 December 2011														
Interest income	23,538	3,517	322	324	**27,701**	–	–	–	–	–	–	**–**	–	**27,701**
Depreciation and amortization	(2,650)	(5,588)	(457)	(247)	**(8,942)**	–	–	–	–	–	–	**–**	–	**(8,942)**
Fair value gain on reclassification of inventories of properties to investment properties	–	238,188	–	–	**238,188**	–	–	–	–	–	–	**–**	–	**238,188**
Fair value gain on investment properties	–	116,915	–	–	**116,915**	–	–	–	–	–	–	**–**	–	**116,915**
Reversal of impairment recognized in profit or loss, net	18,168	–	–	–	**18,168**	–	–	–	–	–	–	**–**	–	**18,168**
Share of results of jointly controlled entities	1,428	6,151	–	–	**7,579**	–	–	–	–	–	–	**–**	–	**7,579**
Additions to specified non-current assets #	10,584	626	389	582	**12,181**	–	–	–	–	–	–	**–**	–	**12,181**
Write-off of property, plant and equipment	(149)	–	(52)	–	**(201)**	–	–	–	–	–	–	**–**	–	**(201)**
As at 31 December 2011														
Interests in jointly controlled entities	2,960	70,332	–	–	**73,292**	–	–	–	–	–	–	**–**	–	**73,292**

6. SEGMENT INFORMATION (CONTINUED)

Segment results, segment assets and segment liabilities (Continued)

	Continuing operations					Discontinued operations								
	Property investment and development HK$'000	Property leasing HK$'000	Other segment HK$'000	Corporate HK$'000	**Sub-total HK$'000**	Electrical household appliances HK$'000	Property leasing HK$'000	Securities trading HK$'000	Car rental HK$'000	All other segments HK$'000	Corporate HK$'000	**Sub-total HK$'000**	Elimination^ HK$'000	**Consolidated HK$'000**
Other information														
Year ended 31 December 2010														
Interest income	9,347	227	235	101	**9,910**	689	397	3	70	5	15,133	**16,297**	(4,029)	**22,178**
Depreciation and amortization	(3,375)	(5,715)	(395)	(44)	**(9,529)**	(899)	–	–	(1,272)	(112)	(190)	**(2,473)**	–	**(12,002)**
Reversal of impairment/ (Impairment losses) recognized in profit or loss	4,038	33	–	–	**4,071**	(306)	(110)	–	–	(1)	–	**(417)**	–	**3,654**
Reversal of write down of inventories of properties	34,497	–	–	–	**34,497**	–	–	–	–	–	–	**–**	–	**34,497**
(Allowance)/Reversal of allowance for other inventories	–	–	–	–	**–**	(1,540)	–	–	–	132	–	**(1,408)**	–	**(1,408)**
Fair value gain on reclassification of inventories of properties to investment properties	–	313,836	–	–	**313,836**	–	–	–	–	–	–	**–**	–	**313,836**
Fair value gain on investment properties	–	68,742	–	–	**68,742**	–	3,780	–	–	–	–	**3,780**	–	**72,522**
Share of results of associates	–	–	–	–	**–**	–	3,294	–	–	18	–	**3,312**	–	**3,312**
Share of results of jointly controlled entities	(176)	2,290	–	–	**2,114**	–	–	–	–	327	–	**327**	–	**2,441**
Additions to specified non-current assets #	2,317	10	372	928	**3,627**	329	–	–	–	264	–	**593**	–	**4,220**
Write-off of property, plant and equipment	(29)	(711)	(231)	–	**(971)**	–	–	–	–	–	–	**–**	–	**(971)**
Equity-settled share-based payments	(73,300)	–	–	–	**(73,300)**	–	–	–	–	–	–	**–**	–	**(73,300)**
As at 31 December 2010														
Interests in jointly controlled entities	168,438	61,011	–	–	**229,449**	–	–	–	–	–	–	**–**	–	**229,449**

* This represents sales from external customer and there were no inter-segment sales between different business segments for the years ended 31 December 2011 and 2010.

^ Inter-company interest elimination

Including the Group's investment properties, other properties, plant and equipment, prepaid lease rental on land, intangible assets including goodwill and interests in jointly controlled entities

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's continuing operations are located in the PRC while its discontinued operations covered Hong Kong, other regions in the PRC, Asia other than the PRC, North America (comprising Canada and the United States) and Europe (mainly the United Kingdom).

An analysis of the Group's revenue by geographical locations, determined based on locations to which the goods are delivered or the services are provided and locations of assets which give rise to the rental income and the licence fee income, is as follows:

	Continuing operations		Discontinued operations		Total	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Hong Kong (place of domicile)	**–**	–	**–**	1,907	**–**	1,907
Other regions of the PRC	**5,165,720**	3,512,903	**–**	74,332	**5,165,720**	3,587,235
Asia, other than the PRC	**–**	–	**–**	7,473	**–**	7,473
North America	**–**	–	**–**	42,677	**–**	42,677
Europe	**–**	–	**–**	24,733	**–**	24,733
Others	**–**	–	**–**	13,284	**–**	13,284
	5,165,720	3,512,903	**–**	164,406	**5,165,720**	3,677,309

An analysis of the Group's investment properties, other properties, plant and equipment, prepaid lease rental on land, intangible assets including goodwill and interests in jointly controlled entities (i.e. "specified non-current assets") by geographical locations, determined based on physical location of the assets or location of operations in case of goodwill and interests in jointly controlled entities, is as follows:

	Continuing operations		Discontinued operations		Total	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Hong Kong	**1,219**	884	**–**	–	**1,219**	884
Other regions of the PRC	**2,092,993**	1,707,914	**–**	–	**2,092,993**	1,707,914
	2,094,212	1,708,798	**–**	–	**2,094,212**	1,708,798

Information above major customers

There was no customer who accounted for over 10% of the Group's revenue for both years.

7. OTHER INCOME

	Continuing operations		Discontinued operations		Elimination		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest income on:								
Bank deposits	**24,694**	9,910	**–**	855	**–**	–	**24,694**	10,765
Inter-company loans	**–**	–	**–**	4,029	**–**	(4,029)	**–**	–
Amount due from a jointly controlled entity	**3,007**	–	**–**	–	**–**	–	**3,007**	–
Others, including loans receivable	**–**	–	**–**	11,413	**–**	–	**–**	11,413
Total interest income on financial assets not at fair value through profit or loss	**27,701**	9,910	**–**	16,297	**–**	(4,029)	**27,701**	22,178
Compensation received	**–**	36,222	**–**	–	**–**	–	**–**	36,222
Handling fee income	**–**	–	**–**	1,273	**–**	–	**–**	1,273
Other rental income	**–**	–	**–**	119	**–**	–	**–**	119
Sundry income	**2,217**	7,529	**–**	100	**–**	–	**2,217**	7,629
	29,918	53,661	**–**	17,789	**–**	(4,029)	**29,918**	67,421

8. PROFIT BEFORE INCOME TAX

	Continuing operations		Discontinued operations		Total	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Profit before income tax is arrived at after charging/(crediting):						
Amortization:						
Prepaid lease rental on land	**58**	72	**–**	50	**58**	122
Other intangible assets #	**4,673**	4,458	**–**	–	**4,673**	4,458
Depreciation of property, plant and equipment	**4,211**	4,999	**–**	2,423	**4,211**	7,422
Total amortization and depreciation	**8,942**	9,529	**–**	2,473	**8,942**	12,002
Remuneration to auditor – audit services**: Current year	**1,000**	3,831	**–**	443	**1,000**	4,274
Cost of sales and services provided comprise:						
– Amount of inventories recognized as expense	**2,109,190**	1,893,399	**–**	121,934	**2,109,190**	2,015,333
– Reversal of write-down of inventories of properties	**–**	(34,497)	**–**	–	**–**	(34,497)
– Allowance for other inventories	**–**	–	**–**	1,408	**–**	1,408
Gain on disposal of property, plant and equipment ^	**(16,127)**	(3,151)	**–**	–	**(16,127)**	(3,151)
Impairment/(Reversal of impairment) of non-financial assets						
– Goodwill	**17,289**	–	**–**	–	**17,289**	–
– Other assets	**–**	(2,300)	**–**	–	**–**	(2,300)
(Reversal of impairment)/ Impairment on financial assets: – Loans and receivables	**(35,457)**	(1,771)	**–**	417	**(35,457)**	(1,354)
Compensation for a property development project*	**60,265**	–	**–**	–	**60,265**	–
Net foreign exchange loss/(gain)	**8,470**	528	**–**	(1,838)	**8,470**	(1,310)
Operating lease charge on land and buildings	**5,522**	191	**–**	324	**5,522**	515
Outgoings in respect of investment properties	**16,115**	26,299	**–**	760	**16,115**	27,059
Net rental income	**(93,561)**	(36,054)	**–**	(6,152)	**(93,561)**	(42,206)
Staff costs *(note)*	**141,208**	134,718	**–**	13,044	**141,208**	147,762
Write-off of property, plant and equipment	**201**	971	**–**	–	**201**	971
Business tax and other levies	**306,685**	179,426	**–**	1,611	**306,685**	181,037

\# included in "Cost of sales and services provided" in the consolidated income statement

^ included in "Other gain, net – Others" in the consolidated income statement (2010: included in "Other income")

* included in "Other operating expenses" in the consolidated income statement

** Fees for non-audit services rendered by the auditor during the year ended 31 December 2011 amounted to HK$458,000

8. PROFIT BEFORE INCOME TAX (CONTINUED)

Note:

Staff costs (including directors' emoluments) comprise:

	Continuing operations		Discontinued operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Salaries, allowances and other benefits	**135,791**	57,600	**–**	12,284	**135,791**	69,884
Retirement fund contributions *(note 42)*	**5,417**	3,818	**–**	760	**5,417**	4,578
Equity-settled share-based payments *(notes 38(c) and (d))*	**–**	73,300	**–**	–	**–**	73,300
	141,208	134,718	**–**	13,044	**141,208**	147,762

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Elimination		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest charges on:								
Bank borrowings and overdrafts								
– wholly repayable within five years	**136,174**	97,603	**–**	1,253	**–**	–	**136,174**	98,856
– not wholly repayable within five years	**10,312**	–	**–**	–	**–**	–	**10,312**	–
Other loan wholly repayable within five years	**23,310**	10,142	**–**	–	**–**	–	**23,310**	10,142
Inter-company loans wholly repayable within five years	**–**	4,029	**–**	–	**–**	(4,029)	**–**	–
Imputed interest expense on consideration payable for acquisition of non-controlling interests *(note 39)*	**51,866**	–	**–**	–	**–**	–	**51,866**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**221,662**	111,774	**–**	1,253	**–**	(4,029)	**221,662**	108,998
Less: Amount capitalized in properties under development	**(188,165)**	(91,933)	**–**	–	**–**	3,870	**(188,165)**	(88,063)
	33,497	19,841	**–**	1,253	**–**	(159)	**33,497**	20,935

The analysis shows the finance costs of bank and other borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements. For the year ended 31 December 2011, the Group did not incur any finance costs on bank and other borrowings that contain a repayable on demand clause as there was no such borrowing throughout the year. For the year ended 31 December 2010, the interest on bank borrowings which contain a repayment on demand clause amounted to approximately HK$800,000.

Borrowing costs capitalized during the year are calculated by applying an average capitalization rate of 9.41% per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSE

	Continuing operations		Discontinued operations		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Income tax expenses comprise:						
Current tax for the year						
Hong Kong profits tax	**–**	–	**–**	1,167	**–**	1,167
Other regions of the PRC						
– Enterprise income tax ("EIT")	**664,738**	389,031	**–**	3,564	**664,738**	392,595
– LAT	**866,423**	431,874	**–**	–	**866,423**	431,874
Others	**–**	–	**–**	140	**–**	140
	1,531,161	820,905	**–**	4,871	**1,531,161**	825,776
Under provision in prior years						
Other regions of the PRC						
– EIT	**1,633**	1,038	**–**	–	**1,633**	1,038
Deferred tax *(note 37)*						
– Income tax	**(112,894)**	(70,840)	**–**	5,336	**(112,894)**	(65,504)
– LAT	**156,035**	109,732	**–**	–	**156,035**	109,732
	43,141	38,892	**–**	5,336	**43,141**	44,228
	1,575,935	860,835	**–**	10,207	**1,575,935**	871,042

For the year ended 31 December 2011, no Hong Kong profits tax has been provided as the Group did not derived any estimated assessable profit in Hong Kong for the year. For the year ended 31 December 2010, Hong Kong profits tax was calculated at 16.5% on the estimated assessable profits for that year.

EIT arising from other regions of the PRC is calculated at 25% (2010: 10% to 25%) on the estimated assessable profits.

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

10. INCOME TAX EXPENSE (CONTINUED)

The income tax expense can be reconciled to the profit before income tax at applicable tax rates as follows:

	Continuing operations		Discontinued operations		Total	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Profit before income tax	**3,380,753**	1,985,826	**–**	28,133	**3,380,753**	2,013,959
Tax on profit at the rates applicable to profits in the jurisdictions concerned	**782,295**	497,325	**–**	3,728	**782,295**	501,053
Expenses not deductible for tax purpose	**32,163**	29,909	**–**	5,574	**32,163**	35,483
Income not taxable for tax purpose	**(94,692)**	(64,232)	**–**	(5,280)	**(94,692)**	(69,512)
Share of results of associates and jointly controlled entities	**(1,895)**	(529)	**–**	(601)	**(1,895)**	(1,130)
Tax exemption	**–**	–	**–**	(47)	**–**	(47)
Utilization of tax losses previously not recognized	**(423)**	(15,082)	**–**	(372)	**(423)**	(15,454)
LAT deductible for calculation of income tax	**(259,937)**	(137,330)	**–**	–	**(259,937)**	(137,330)
Tax losses not recognized	**33,871**	6,844	**–**	2,574	**33,871**	9,418
Under provision in prior years	**1,633**	1,038	**–**	–	**1,633**	1,038
Deferred tax provided for withholding tax on distributable profits of the Group's PRC subsidiaries	**56,080**	–	**–**	–	**56,080**	–
Others	**4,382**	1,286	**–**	4,631	**4,382**	5,917
	553,477	319,229	**–**	10,207	**553,477**	329,436
LAT	**1,022,458**	541,606	**–**	–	**1,022,458**	541,606
Income tax expense	**1,575,935**	860,835	**–**	10,207	**1,575,935**	871,042

11. GROUP REORGANIZATION AND DISCONTINUED OPERATIONS

Following the approval by the shareholders of the Company in an extraordinary general meeting on 31 December 2009, the making of order confirming the Capital Reorganization (as defined below) by the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "Court") on 1 February 2010, and the completion of subscription agreement (the "Subscription Agreement") dated 9 September 2009 entered into between the Company, Mr. Yung Kwok Kee, Billy, a director of the Company, and COLI on 10 February 2010, the following transactions (the "Transactions") have been completed on 10 February 2010 (the "Completion Date"):

(i) To facilitate the distribution in specie as mentioned in (ii) below, the share capital of the Company has been reduced by an amount of HK$256,507,000 from 523,485,000 shares of HK$0.5 each, totalling HK$261,742,000, to 523,485,000 shares of HK$0.01 each, totalling HK$5,235,000, (the "Capital Reduction") and the amount standing to the credit of the share premium account of the Company has been cancelled (the "Share Premium Cancellation") (collectively, the "Capital Reorganization").

(ii) A wholly-owned subsidiary of the Company, Shell Electric Holdings Limited (the "Privateco"), acquired certain subsidiaries and certain assets and liabilities of the Company by issuing shares to the Company. All the shares of the Privateco then held by the Company have been distributed in specie (the "Distribution in Specie") to the shareholders of the Company on the basis of one share of the Privateco for one share of the Company held (the "Group Restructuring"). The Privateco and its subsidiaries (the "Privateco Group") continue to carry on the business of manufacturing and marketing, as well as contract manufacturing, of electric fans and other electrical household appliances, property leasing, security trading and taxi rental (the "Distributed Businesses"). Part of the Distributed Businesses, mainly property leasing and trading of computer hardware and software, are conducted by associates and jointly controlled entities.

(iii) After the Group Restructuring, the Company continues to be a publicly listed company with its subsidiaries concentrating on the business of property investment and development in the PRC (the "Property Development Business").

(iv) The Company issued 157,045,368 new shares at HK$2.90 each to Star Amuse Limited, a direct wholly-owned subsidiary of COLI, as per the Subscription Agreement (the "Subscription"), representing approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription. Pursuant to the Subscription Agreement, Mr. Yung Kwok Kee, Billy has undertaken to procure his associates to accept the offer to be made by COLI subsequent to the completion of the Transactions to acquire shares of the Company to the extent that COLI will own no less than 50.1% of the issued share capital of the Company.

As stipulated in the order confirming the Capital Reorganization by the Court, Privateco undertakes by a guarantee and indemnity and with effect from the date of the order that to set aside and maintain a sum of HK$14,100,000 for the purposes of paying or satisfying any debt of claim against the Company and to set aside and maintain a sum of HK$13,600,000 to cover the liability potentially liable by the Company. As at 31 December 2010, the deposit accounts of HK$14,100,000 and HK$13,600,000 were released from the guarantee and indemnity.

11. GROUP REORGANIZATION AND DISCONTINUED OPERATIONS (CONTINUED)

The results of the Distributed Businesses which constitute discontinued operations during the period from 1 January 2010 to 10 February 2010 (the Completion Date) are set out below:

	Notes	Period ended 10 February 2010 HK$'000
Revenue	5	164,406
Cost of sales and services provided		(130,105)
Gross profit		34,301
Other income	7	17,789
Distribution and selling expenses		(3,255)
Administrative expenses		(21,415)
Other operating expenses		(1,642)
Other gains/(losses)		
Fair value gain on investment properties		3,780
Fair value loss on investments held for trading		(1,497)
Others		1,556
Operating profit		29,617
Finance costs	9	(1,253)
Share of results of associates		3,312
Share of results of jointly controlled entities		327
Elimination^		(3,870)
Profit before income tax	8	28,133
Income tax expense	10	(10,207)
Profit from discontinued operations		17,926

^ Inter-company interest elimination

11. GROUP REORGANIZATION AND DISCONTINUED OPERATIONS (CONTINUED)

The Company distributed the equity interest in the Privateco to its shareholders and the net assets of the Distributed Businesses as at the date of distribution on 10 February 2010 (the Completion Date) were set out below:

	Notes	As at 10 February 2010 HK$'000
Investment properties	*16*	544,890
Property, plant and equipment	*17*	167,020
Prepaid lease rental on land	*18*	17,328
Other intangible assets	*20*	194,114
Interests in associates		463,134
Interests in jointly controlled entities		3,981
Available-for-sale financial assets		3,300
Loans receivable		110,618
Other inventories		103,450
Trade and other receivables, prepayments and deposits		301,986
Amounts due from related parties		797,922
Amount due from an associate		2,340
Amount due from an investee		10,552
Investments held for trading		64,967
Tax prepaid		2,857
Cash and cash equivalents		522,127
Trade and other payables		(367,899)
Amount due to an associate		(100)
Amounts due to related parties		(28,314)
Taxation liabilities		(72,505)
Bank borrowings	*33*	(733,497)
Loan from non-controlling interests		(3,630)
Other liabilities		(12,551)
Deferred tax liabilities	*37*	(57,340)
Elimination^		(69,764)
Net assets distributed		1,964,986

^ Inter-company balances elimination

Analysis of the net cash flows from the Distributed Businesses during the period from 1 January 2010 to 10 February 2010 are as follows:

	Period ended 10 February 2010 HK$'000
Operating activities	(49,819)
Investing activities	13,136
Financing activities	4,250
Effect of foreign exchange rate change	1,010
Net cash outflow	(31,423)

12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Among the consolidated profit attributable to owners of the Company of HK$1,815,418,000 (2010: HK$1,001,120,000), a loss of HK$110,028,000 (2010: a loss of HK$23,282,000) has been dealt with in the financial statements of the Company.

13. DIVIDENDS

(a) Dividends payable to owners of the Company attributable to the year:

	2011 HK$'000	2010 HK$'000
Distribution in Specie *(note (i))*	–	1,964,986
Proposed final dividend – HK$0.05 (2010: HK$0.10) per ordinary share *(note (iii))*	76,075	95,704

Notes:

(i) Details of the net assets of the Privateco Group distributed by the Group in the form of a distribution in specie are set out in note 11.

(ii) The directors of the Company did not recommend the payment of an interim dividend for the year ended 31 December 2011 (2010: nil)

(iii) The final dividend of HK$0.05 (2010: HK$0.10) per ordinary share, amounting to approximately HK$76,075,000 (2010: HK$95,704,000), has been proposed by the directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

(b) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year:

	2011 HK$'000	2010 HK$'000
Final dividend in respect of 2010, approved and paid during the year, of HK$0.10 per ordinary share *(note)*	101,433	–

Note:

The actual amount of final dividend paid in respect of 2010 was HK$101,433,000 instead of HK$95,704,000 as proposed in the financial statements for 2010 and the difference is due to additional shares issued before the commencement date of the closure of register of members (i.e. 26 May 2011).

14. EARNINGS PER SHARE

The calculations of basic earnings per share and diluted earnings per share from continuing and discontinued operations attributable to owners of the Company are based on the following data:

Earnings	From continuing operations HK$'000	From discontinued operations HK$'000	Total HK$'000
For the year ended 31 December 2011			
Earnings used in calculating basic earnings per share	**1,815,418**	–	**1,815,418**
Adjustment to the profit of the Group – interest on consideration payable for acquisition of non-controlling interests *(note 39)*	**9,005**	–	**9,005**
Earnings used in calculating diluted earnings per share	**1,824,423**	–	**1,824,423**
For the year ended 31 December 2010			
Earnings used in calculating basic earnings per share	983,065	18,055	1,001,120
Adjustment to the share of profit of subsidiaries based on dilution of their earnings per share relating to the outstanding share options of a subsidiary	(15,464)	–	(15,464)
Earnings used in calculating diluted earnings per share	967,601	18,055	985,656

Weighted average number of ordinary shares (note)	2011 '000	2010 '000 (Restated)
Weighted average number of ordinary shares used in calculating basic earnings per share	**1,451,803**	1,073,315
Effect of dilutive potential ordinary shares – issuance of shares for acquisition of non-controlling interests *(note 39)*	**69,690**	–
Weighted average number of ordinary shares used in calculating diluted earnings per share	**1,521,493**	1,073,315

Note:

The weighted average number of ordinary shares used in calculating the basic earnings per share and diluted earnings per share is adjusted for the Bonus Share Issue (as defined and disclosed in note 35(g)) as if the Bonus Share Issue had occurred on 1 January 2010.

15. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

	Fees HK$'000	Salaries, allowances and other benefits HK$'000	Discretionary bonus HK$'000	Retirement fund contribution HK$'000	Share-based payments HK$'000	Total HK$'000
Year ended 31 December 2011						
Executive directors						
Mr. Chen Bin	1,700	–	–	–	–	1,700
Mr. Yu Shangyou	1,100	–	–	–	–	1,100
Mr. Xiang Hong	700	–	2,240	–	–	2,940
Mr. Wang Man Kwan, Paul *(note (a))*	1,046	–	1,183	6	–	2,235
Mr. Zhu Bing Kun *(note (b))*	288	–	–	–	–	288
Non-executive directors						
Mr. Hao Jian Min	1,200	–	–	–	–	1,200
Mr. Yung Kwok Kee, Billy	100	–	–	–	–	100
Independent non-executive directors						
Dr. Chung Shui Ming, Timpson	250	110	–	–	–	360
Mr. Lam Kin Fung, Jeffrey	250	–	–	–	–	250
Mr. Lo Yiu Ching, Dantes	250	–	–	–	–	250
	6,884	110	3,423	6	–	10,423
Year ended 31 December 2010						
Executive directors						
Mr. Chen Bin *(note (c))*	1,367	–	–	–	–	1,367
Mr. Yu Shangyou *(note (c))*	861	–	–	–	–	861
Mr. Xiang Hong *(note (c))*	574	–	–	–	–	574
Mr. Zhu Bing Kun *(note (b))*	439	–	–	–	–	439
Mr. Yung Kwok Kee, Billy *(note (f))*	19	452	–	22	2,823	3,316
Madam Yung Ho Wun Ching *(note (h))*	29	127	–	–	–	156
Mr. Leung Chun Wah *(note (h))*	29	129	–	6	–	164
Mr. Eddie Hurip *(note (h))*	29	269	–	–	113	411
Non-executive directors						
Mr. Hao Jian Min *(note (d))*	844	–	–	–	–	844
Mr. Yung Kwok Kee, Billy *(note (f))*	101	–	–	–	–	101
Mr. Simon Yung Kwok Choi *(note (g))*	29	–	–	–	–	29
Independent non-executive directors						
Dr. Chung Shui Ming, Timpson *(note (e))*	156	69	–	–	–	225
Mr. Lam Kin Fung, Jeffrey *(note (e))*	156	–	–	–	–	156
Mr. Lo Yiu Ching, Dantes *(note (e))*	156	–	–	–	–	156
Mr. Peter Wong Chung On *(note (i))*	120	132	–	–	–	252
Mr. Peter Lam *(note (i))*	120	120	–	–	–	240
Mr. Lawrence Leung Man Chiu *(note (i))*	120	72	–	–	–	192
	5,149	1,370	–	28	2,936	9,483

15. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Directors' emoluments (Continued)

Notes:

(a) Mr. Wang Man Kwan, Paul was appointed as executive director on 11 July 2011.

(b) Mr. Zhu Bing Kun was appointed as executive director on 27 February 2010 and resigned on 11 July 2011.

(c) Mr. Chen Bin, Mr. Yu Shangyou and Mr. Xiang Hong were appointed as executive directors on 27 February 2010.

(d) Mr. Hao Jian Min was appointed as the Chairman of the Board and non-executive director on 27 February 2010.

(e) Dr. Chung Shui Ming, Timpson, Mr. Lam Kin Fung, Jeffrey and Mr. Lo Yiu Ching, Dantes were appointed as independent non-executive directors on 18 May 2010.

(f) Mr. Yung Kwok Kee, Billy was re-designated from executive director to non-executive director on 27 February 2010.

(g) Mr. Simon Yung Kwok Choi was removed as non-executive director on 30 March 2010.

(h) Madam Yung Ho Wun Ching, Mr. Leung Chun Wah and Mr. Eddie Hurip resigned on 29 March 2010.

(i) Mr. Peter Wong Chung On, Mr. Peter Lam and Mr. Lawrence Leung Man Chiu retired on 18 May 2010.

There is no arrangement under which a director waived or agreed to waive any emoluments during year (2010: nil).

Five highest paid individuals

The five individuals with the highest emoluments in the Group include 2 (2010: 3) directors, whose emoluments are included in the disclosures above. The emoluments of the remaining 3 (2010: 2) highest paid individuals for the years ended 31 December 2011 and 2010 were as follows:

	2011	2010
	HK$'000	HK$'000
Salaries, allowances and other benefits	**1,002**	2,356
Discretionary bonus	**5,990**	–
Retirement fund contributions	**652**	24
	7,644	2,380

Their emoluments were within the following bands:

	Number of employees	
	2011	2010
HK$1,000,000 – HK$1,500,000	**–**	2
HK$2,000,001 – HK$2,500,000	**2**	–
HK$2,500,001 – HK$3,000,000	**1**	–

No emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2010: nil).

16. INVESTMENT PROPERTIES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**1,309,549**	1,244,869
Translation adjustment	**75,341**	34,589
Disposal	**(38,625)**	(1,506)
Transfer from inventories of properties *(note (b))*	**365,871**	503,965
Transfer from property, plant and equipment and prepaid lease rental on land *(note (c))*	**54,512**	–
Increase in fair value	**116,915**	72,522
Distribution in Specie *(note 11)*	**–**	(544,890)
Carrying amount at 31 December	**1,883,563**	1,309,549

The carrying amount of the Group's interests in investment properties are analyzed as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
In other regions of the PRC, held under medium-term leases	**1,883,563**	1,309,549

Notes:

(a) Investment properties which are situated in other regions of the PRC were revalued as at 31 December 2011 by CBRE HK Limited on an open market basis. The valuations were arrived at by reference to comparable market transactions and where appropriate, on the basis of capitalization of net income. CBRE HK Limited is an independent firm of professionally qualified valuers and has appropriate qualifications and recent experiences in the valuation of similar properties in nearby locations.

(b) During the year ended 31 December 2011, the Group reclassified certain inventories of properties with carrying value of HK$127,683,000 (2010: HK$190,129,000) as investment properties and recognized fair value gain of HK$238,188,000 in profit or loss (2010: HK$313,836,000) on the date of reclassification.

(c) During the year ended 31 December 2011, the Group leased out a formerly self-occupied commercial unit and reclassified it as an investment property. The property was previously occupied by the Group for administrative purpose, of which the building portion was classified as property, plant and equipment with carrying value of HK$13,939,000 (note 17) and the land portion was included in prepaid lease rental on land with carrying value of HK$1,639,000 (note 18). The Group recognized an aggregate fair value gain of HK$38,934,000 on the date of reclassification. The fair value gain net of tax was approximately HK$19,492,000 and was recognized in asset revaluation reserve in equity.

The investment properties are leased to third parties and related companies under operating leases to earn rental income, further details of which are included in note 44.

Certain investment properties of the Group are pledged as further detailed in note 43.

17. PROPERTY, PLANT AND EQUIPMENT

	THE GROUP						
	Land and buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Tools and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At 1 January 2010	176,418	–	49,677	64,682	58,466	82,692	431,935
Translation adjustment	1,429	–	113	124	314	567	2,547
Additions	–	860	31	–	2,035	1,294	4,220
Disposals	(2,781)	–	–	–	–	(601)	(3,382)
Write-off	–	–	–	–	(1,005)	(3,547)	(4,552)
Distribution in Specie *(note 11)*	(135,598)	–	(49,821)	(64,806)	(55,679)	(74,695)	(380,599)
At 31 December 2010 and 1 January 2011	**39,468**	**860**	–	–	**4,131**	**5,710**	**50,169**
Translation adjustment	**1,643**	–	–	–	**390**	**529**	**2,562**
Additions	–	**542**	–	–	**4,308**	**4,498**	**9,348**
Disposals	**(10,066)**	–	–	–	–	–	**(10,066)**
Write off	–	–	–	–	**(2,307)**	**(4,134)**	**(6,441)**
Acquisitions of subsidiaries *(note 40)*	**1,731**	–	–	–	**242**	**860**	**2,833**
Transfer to investment properties *(note)*	**(16,125)**	–	–	–	–	–	**(16,125)**
At 31 December 2011	**16,651**	**1,402**	–	–	**6,764**	**7,463**	**32,280**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2010	45,375	–	37,989	64,565	44,446	27,276	219,651
Translation adjustment	265	–	85	124	192	300	966
Depreciation provided	1,781	43	233	7	1,817	3,541	7,422
Disposals	(471)	–	–	–	–	(453)	(924)
Write-off	–	–	–	–	(743)	(2,838)	(3,581)
Distribution in Specie *(note 11)*	(41,175)	–	(38,307)	(64,696)	(44,933)	(24,468)	(213,579)
At 31 December 2010 and 1 January 2011	**5,775**	**43**	–	–	**779**	**3,358**	**9,955**
Translation adjustment	**260**	–	–	–	**221**	**391**	**872**
Depreciation provided	**328**	**223**	–	–	**1,896**	**1,764**	**4,211**
Disposals	**(2,179)**	–	–	–	–	–	**(2,179)**
Write off	–	–	–	–	**(2,106)**	**(4,134)**	**(6,240)**
Transfer to investment properties *(note)*	**(2,186)**	–	–	–	–	–	**(2,186)**
At 31 December 2011	**1,998**	**266**	–	–	**790**	**1,379**	**4,433**
NET CARRYING AMOUNT							
At 31 December 2011	**14,653**	**1,136**	–	–	**5,974**	**6,084**	**27,847**
At 31 December 2010	33,693	817	–	–	3,352	2,352	40,214

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note:

During the year ended 31 December 2011, the Group leased out a formerly self-occupied commercial unit and reclassified it as an investment property. The property was previously occupied by the Group for administrative purpose and was classified as property, plant and equipment with carrying value of HK$13,939,000 (note 16(c)).

	THE COMPANY		
	Leasehold improvement HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
COST			
At 1 January 2010	–	–	–
Additions	860	68	928
At 31 December 2010 and 1 January 2011	**860**	**68**	**928**
Additions	**542**	**40**	**582**
At 31 December 2011	**1,402**	**108**	**1,510**
DEPRECIATION			
At 1 January 2010	–	–	–
Depreciation provided	43	1	44
At 31 December 2010 and 1 January 2011	**43**	**1**	**44**
Depreciation provided	**223**	**24**	**247**
At 31 December 2011	**266**	**25**	**291**
NET CARRYING AMOUNT			
At 31 December 2011	**1,136**	**83**	**1,219**
At 31 December 2010	817	67	884

The carrying amounts of land and buildings and prepaid lease rental on land held by the Group are analyzed as follows:

	THE GROUP	
	2011 HK$'000	2010 HK$'000
In other regions of the PRC, held under – medium-term leases	**16,675**	37,236

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Land and buildings included in property, plant and equipment	**14,653**	33,693
Prepaid lease rental on land *(note 18)*	**2,022**	3,543
	16,675	37,236

Certain land and buildings of the Group are pledged as further detailed in note 43.

18. PREPAID LEASE RENTAL ON LAND

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**3,543**	20,832
Translation adjustment	**176**	161
Amortization charged	**(58)**	(122)
Distribution in Specie *(note 11)*	**–**	(17,328)
Reclassification to investment properties *(note)*	**(1,639)**	–
Carrying amount at 31 December	**2,022**	3,543

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Analyzed into:		
Non-current portion included in non-current assets	**1,970**	3,458
Current portion included in current assets	**52**	85
	2,022	3,543

Note:

During the year ended 31 December 2011, the Group leased out a formerly self-occupied commercial unit and reclassified it as an investment property. The property was previously occupied by the Group for administrative purpose and the land portion of the property was included in prepaid lease rental on land with carrying value of HK$1,639,000 (note 16(c)).

19. GOODWILL

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**86,258**	84,991
Translation adjustment	**1,506**	1,267
Impairment	**(17,289)**	–
Carrying amount at 31 December	**70,475**	86,258

Note:

The amount of goodwill is allocated to the cash-generating units within the property investment and development segment as well as property leasing segment of approximately HK$44,485,000 and HK$25,990,000 respectively. Goodwill is tested for impairment by the management by estimating the recoverable amount of these cash-generating units based on value in use calculations.

As at 31 December 2011, due to the properties of a project company are nearly sold out and the management has no future plan on this project company, the recoverable amount of this project company as a separate cash-generating unit fell below its carrying amount. Based on the results of the impairment testing, impairment loss of HK$17,289,000 (2010: nil) was recognised for the project company and the entire amount of the impairment loss is fully allocated to the goodwill attributed to that cash-generating unit.

In respect of the property investment and development segment, the calculations use cash flow projections based on the development plans approved by the management covering a period of one to three years. Key assumptions used by the management in the value in use calculations of these cash-generating units include gross profit margin of 25%-55% (2010: 23%-55%). The pre-tax discount rate used reflect the specific risks relating to the cash-generating units within property investment and development segment, and applied to the cash flow projections was 10% (2010: 9%). Other than the above, the cash-generating units are not expected to operate beyond the forecasted period of the respective development plans.

In respect of the property leasing segment, the calculations use cash flow projections covering a period of five years and growth rate by reference to the Gross Domestic Products Index in the PRC. The pre-tax discount rate used reflect the specific risks relating to the cash-generating units within property leasing segment, and applied to the cash flow projections was 10% (2010: 9%).

The assumptions have been determined based on past performance and management's expectations in respect of the market development in the PRC.

Apart from the considerations described above in determining the value in use of the cash-generating units of the property investment and development segment as well as property leasing segment, the management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

20. OTHER INTANGIBLE ASSETS

	THE GROUP		
	Taxi licences HK$'000	Shopping mall operating right HK$'000	Total HK$'000
COST			
At 1 January 2010	239,013	67,508	306,521
Translation adjustment	589	2,742	3,331
Distribution in Specie *(note 11)*	(239,602)	–	(239,602)
At 31 December 2010 and 1 January 2011	–	**70,250**	**70,250**
Translation adjustment	–	**4,047**	**4,047**
At 31 December 2011	–	**74,297**	**74,297**
AMORTIZATION AND IMPAIRMENT			
At 1 January 2010	45,376	24,575	69,951
Translation adjustment	112	1,347	1,459
Amortization charged	–	4,458	4,458
Distribution in Specie *(note 11)*	(45,488)	–	(45,488)
At 31 December 2010 and 1 January 2011	–	**30,380**	**30,380**
Translation adjustment	–	**2,179**	**2,179**
Amortization charged	–	**4,673**	**4,673**
At 31 December 2011	–	**37,232**	**37,232**
NET CARRYING AMOUNT			
At 31 December 2011	–	**37,065**	**37,065**
At 31 December 2010	–	39,870	39,870

21. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**1,944,077**	1,944,077

The equity interests in certain subsidiaries which form part of the Distributed Businesses were distributed on 10 February 2010 as mentioned in note 11. Details of the Company's subsidiaries as at 31 December 2011 are set out in note 51.

22. INTERESTS IN ASSOCIATES

All associates formed part of the Distributed Businesses and were distributed on 10 February 2010 as mentioned in note 11. The following illustrates the summarized financial information of the Group's associates for the period from 1 January 2010 to 10 February 2010 (the Completion Date) extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	100% basis Period ended 10 February 2010 HK$'000
Results for the period	
Revenue	17,349
Profit after income tax expense	11,023

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2011 **HK$'000**	2010 HK$'000
Share of net assets	**73,292**	229,449
Goodwill on acquisition	**–**	29,647
	73,292	259,096
Less: Impairment	**–**	(29,647)
	73,292	229,449

During the year ended 31 December 2010, the equity interests in certain of the Group's jointly controlled entities which formed part of the Distributed Businesses were distributed on 10 February 2010 as mentioned in note 11.

During the year ended 31 December 2011, the Group acquired the remaining 55.5% of the equity interest in 北京通惠房地產開發有限責任公司 ("Beijing Tonghui"), a jointly controlled entity of the Group. Through the acquisition, the Group's equity interest in Beijing Tonghui has increased from 44.5% to 100% and Beijing Tonghui becomes a wholly-owned subsidiary of the Group. Details of the transactions are set out in note 40(b).

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES (CONTINUED)

Details of the Group's jointly controlled entities as at 31 December 2011 are set out in note 52. The following illustrates the summarized financial information of the Group's jointly controlled entities for the years ended 31 December 2011 and 2010 extracted from their management accounts which have been adjusted to ensure consistency in accounting policies adopted by the Group:

	2011 HK$'000	2010 HK$'000
Share of results for the year		
Revenue	5,602	6,016
Profit after income tax expense	7,579	2,441
Share of assets and liabilities		
Total non-current assets	141,796	127,111
Total current assets	3,919	544,318
Total current liabilities	(34,063)	(369,612)
Total non-current liabilities	(38,360)	(72,368)
	73,292	229,449

24. INVENTORIES OF PROPERTIES

	THE GROUP	
	2011 HK$'000	2010 HK$'000
Properties under development, at cost	11,791,853	4,054,675
Properties held for sale, at cost	601,028	1,013,732
	12,392,881	5,068,407

As at 31 December 2011, properties under development amounting to HK$3,807,945,000 (2010: HK$1,404,514,000) are not expected to be recovered within twelve months from the end of the reporting period.

The Group's properties under development and properties held for sale are located in other regions of the PRC. As at 31 December 2011, leasehold interests in land included in inventories of properties amounted to HK$5,881,161,000 (2010: HK$993,748,000) which are held under long-term or medium-term leases, depending the development plans of the respective lands.

Certain inventories of properties as at 31 December 2010 were pledged by the Group for obtaining banking facilities with further details stated in note 43.

25. OTHER INVENTORIES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Raw materials	**879**	840

26. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**15,953**	52,812	**–**	–
Less: Impairment of trade receivables	**(8,777)**	(8,427)	**–**	–
Trade receivables, net *(note (a))*	**7,176**	44,385	**–**	–
Other receivables	**94,456**	32,366	**33**	49
Prepayments and deposits *(note (b))*	**1,801,759**	1,606,528	**2,300**	913
	1,903,391	1,683,279	**2,333**	962

Notes:

(a) The credit terms in connection with sales of properties granted to the buyers are set out in the sale and purchase agreements and vary for different agreements. In general, trade receivables are due on presentation of invoices.

Overdue receivables are reviewed regularly by senior management and impairment provision would be considered for those balances.

The ageing analysis of the Group's trade receivables (based on invoice date) net of impairment allowance is as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
30 days or below	**4,348**	43,820
31-60 days	**–**	489
91-180 days	**2,828**	47
Over 360 days	**–**	29
	7,176	44,385

26. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

(a) (Continued)

The movement in the allowance for trade receivables is as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**8,427**	21,025
Translation adjustment	**350**	213
Impairment losses recognized	–	307
Distribution in Specie	–	(13,118)
Carrying amount at 31 December	**8,777**	8,427

At the end of each reporting period, management reviews receivables for evidence of impairment on both an individual and collective basis. As of 31 December 2011, the Group's trade receivables of HK$8,777,000 (2010: HK$8,427,000) were impaired and accordingly allowances were made in respect of these balances. The individually impaired receivables mainly relate to customers that were in financial difficulties and management assessed that the entire amount of the respective receivable balances is unlikely to be recovered.

The ageing analysis of trade receivables (based on invoice date) which were impaired and for which allowance has been made for at the end of the reporting period is as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
30 days or below	–	353
91-180 days	**637**	–
181-360 days	–	–
Over 360 days	**8,140**	8,074
	8,777	8,427

The ageing analysis of trade receivables that are past due but are not considered impaired at the end of the reporting period is as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
91-180 days	**2,828**	47
Over 360 days	–	29
	2,828	76

26. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (CONTINUED)

(a) (Continued)

Trade receivables that are neither past due nor impaired at the end of the reporting period relate to a large number of unrelated customers and based on historical information, default risk of these trade receivables is insignificant. Accordingly, no impairment provision is necessary in respect of these receivables.

Trade receivables that are past due but not impaired at the end of the reporting period are insignificant.

The Group does not hold any collateral over trade receivables balances other than rental and building management deposits from tenants of the Group's investment properties.

Certain amount of trade receivables are pledged as further detailed in note 43.

(b) The balance of prepayments and deposits as at 31 December 2011 mainly comprise the followings:

(i) an amount of HK$253,899,000 (2010: HK$479,252,000) paid by the Group for the primary development on certain areas in Hohhot-Inner Mongolia (the "Primary Development Land"). In prior years, the Group successfully acquired the land use right for certain area of the Primary Development Land through a public tender. According to the approval document issued by the relevant land authority in Hohhot, the cost of these lands was offset against the payment made by the Group for the Primary Development Land. It is the assessment as well as intention of the directors that the amount of prepayment made for the Primary Development Land can be fully recovered through similar land auction exercise in future or by cash payment.

(ii) Deposits amounted to HK$1,337,102,000 (2010: HK$1,032,113,000) in aggregate paid by the Group for the acquisition of certain lands in Yinchuan, Lanzhou and Hefei, the PRC (2010: Yinchuan and Guilin). As at the 31 December 2011 and 2010, the legal titles of those lands were not yet transferred to the Group and the amounts paid were classified as prepayment and deposits.

Trade and other receivables are of short maturity periods and hence the directors consider the carrying amount of trade and other receivables approximate their fair values.

27. AMOUNTS DUE FROM SUBSIDIARIES

Among the balances due from subsidiaries as at 31 December 2011, HK$750,000,000 is unsecured, interest bearing at 1.880% to 3.080% per annum and repayable on demand. The remaining balances of HK$553,050,000 and the balances as at 31 December 2010 are unsecured, interest-free and repayable on demand.

The directors consider that the carrying amounts of the balances approximate their fair values.

28. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES/NON-CONTROLLING INTERESTS

As at 31 December 2011, the entire amount due from a jointly controlled entity is unsecured, interest-bearing at fixed rate of 7.2% per annum and repayable by 25 November 2012 and the amounts due from non-controlling interests are unsecured, interest-free and repayable on demand.

As at 31 December 2010, among the balances due from jointly controlled entities, HK$48,183,000 was unsecured, interest-bearing at fixed rate of 6.4% per annum and repayable by 30 November 2011. The remaining balances of HK$75,461,000 and the amounts due from non-controlling interests were unsecured, interest-free and repayable on demand.

The directors consider that the carrying amounts of the above balances approximate their fair values.

29. RESTRICTED CASH AND DEPOSITS/CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**2,826,427**	2,227,970	**39,805**	183,356
Less: Restricted cash and deposits classified under current assets *(note (a))*	**(805,204)**	(337,415)	**–**	–
Cash and cash equivalents	**2,021,223**	1,890,555	**39,805**	183,356

Notes:

(a) In accordance with the relevant documents issued by the PRC State-Owned Land and Resources Bureau, certain subsidiaries of the Group engaging in property development are required to place in designated bank accounts certain amount of pre-sale proceeds of properties as guarantee deposits for the construction of the related properties. The deposits can only be used for purchases of construction materials and payments of construction fees of the relevant property projects when approval from the PRC State-Owned Land and Resources Bureau is obtained. Such guarantee deposits will only be released after the completion of development of the related pre-sold properties or issuance of the real estate ownership certificates, whichever is the earlier. The amount of cash restricted for such purpose as at 31 December 2011 was HK$805,204,000 (2010: HK$337,415,000).

(b) Cash balance denominated in Renminbi ("RMB") amounted to approximately HK$2,258,924,000 (2010: HK$2,016,492,000) as at 31 December 2011. The RMB is not freely convertible into other currencies.

(c) Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term time deposits are made for periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The directors consider that the fair values of the short-term deposits are not materially different from their carrying amounts because of the short maturity period.

30. TRADE AND OTHER PAYABLES/OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**1,772,625**	1,348,298	**–**	–
Other payables and accruals	**345,191**	195,944	**5,621**	3,045
Deposits received	**54,773**	28,884	**–**	–
	2,172,589	1,573,126	**5,621**	3,045

The ageing analysis of trade payables (based on invoice date) is as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
30 days or below	**819,554**	877,031	**–**	–
31-60 days	**118,503**	117,461	**–**	–
61-90 days	**21,141**	7,676	**–**	–
91-180 days	**241,500**	112,806	**–**	–
181-360 days	**243,528**	72,293	**–**	–
Over 360 days	**328,399**	161,031	**–**	–
	1,772,625	1,348,298	**–**	–

Trade and other payables are of short maturity periods and hence the directors consider that the carrying amounts of trade and other payables approximate their fair values.

31. AMOUNT(S) DUE TO A JOINTLY CONTROLLED ENTITY/NON-CONTROLLING INTERESTS

The amounts due are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts of the balances approximate their fair values.

32. CONSIDERATION PAYABLE FOR ACQUISITION OF A SUBSIDIARY

Balance as at 31 December 2011 represented the consideration payable in relation to the acquisition of 55.5% equity interest of Beijing Tonghui, which took place during the year. Details of the transaction are set out in note 40(b).

Balance as at 31 December 2010 represented the consideration payable and other payable in relation to the acquisition of 90% of the registered capital of 北京華世柏利房地產開發有限公司 ("Huashiboli"), which took place in 2007. During the year ended 31 December 2011, the Group has fully settled the outstanding balance of consideration payable.

The directors considered that the carrying amount of the balances approximated its fair value.

33. BORROWINGS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Bank borrowings	**1,066,356**	937,810	**75,000**	–
Other loan	**320,710**	–	**–**	–
	1,387,066	937,810	**75,000**	–
Non-current liabilities				
Bank borrowings	**2,615,641**	898,370	**675,000**	–
Other loan	**–**	411,320	**–**	–
	2,615,641	1,309,690	**675,000**	–
	4,002,707	2,247,500	**750,000**	–

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Analysis into:				
Bank borrowings *(note (a))*				
Secured *(note 43)*	**431,725**	444,226	**–**	–
Unsecured	**3,250,272**	1,391,954	**750,000**	–
	3,681,997	1,836,180	**750,000**	–
Other loan *(note (b))*				
Unsecured	**320,710**	411,320	**–**	–
	4,002,707	2,247,500	**750,000**	–

33. BORROWINGS (CONTINUED)

The movement of bank borrowings and other loan during the year is as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Carrying amount at 1 January	**2,247,500**	2,244,220	**–**	–
Translation adjustment	**122,781**	52,800	**–**	–
New bank borrowings raised	**2,943,792**	1,230,700	**750,000**	–
Repayment of bank borrowings and other loan	**(1,311,366)**	(546,723)	**–**	–
Distribution in Specie *(note 11)*	**–**	(733,497)	**–**	–
Carrying amount at 31 December	**4,002,707**	2,247,500	**750,000**	–

Notes:

(a) The analysis of the carrying amounts of the bank borrowings is as follow:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Portion of term loans due for repayment within one year	**1,066,356**	937,810	**75,000**	–
Non-current liabilities				
Term loans due for repayment after one year				
After one year but within two years	**1,429,861**	476,473	**425,000**	–
After two years but within five years	**1,019,258**	421,897	**250,000**	–
After five years	**166,522**	–	**–**	–
	2,615,641	898,370	**675,000**	–
	3,681,997	1,836,180	**750,000**	–

Note:

The above analysis is based on the scheduled repayment dates set out in the loan agreements or the repayment schedules agreed with the banks. As at 31 December 2011 and 2010, none of the Group's and the Company's bank borrowings contain a repayable on demand clause.

33. BORROWINGS (CONTINUED)

Notes: (Continued)

(b) Other loan as at 31 December 2011 and 2010 represents a loan obtained from a financial institution in the PRC, which was arranged at floating rate of 6.40% (2010: floating rate of 5.85%) per annum and repayable in 2012 (2010: repayable in 2013) in accordance with the repayment schedules agreed with the financial institution.

The analysis of the carrying amounts of the other loan is as follow:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities				
Portion of term loan due for repayment within one year	**320,710**	–	**–**	–
Non-current liabilities				
Term loan due for repayment after one year				
After one year but within two years	**–**	–	**–**	–
After two years but within five years	**–**	411,320	**–**	–
	–	411,320	**–**	–
	320,710	411,320	**–**	–

The amount due is based on the repayment schedules agreed with the financial institution. As at 31 December 2011 and 2010, none of the Group's other loan contain a repayable on demand clause.

(c) The carrying amounts of the bank borrowings and other loan are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK$	**1,150,000**	–	**750,000**	–
RMB	**2,852,707**	2,247,500	**–**	–
	4,002,707	2,247,500	**750,000**	–

As at 31 December 2011, bank borrowings and other loan denominated in HK$ have been arranged at floating rates of 1.880% to 3.080% per annum while those denominated in RMB have been arranged at floating rates of 6.400% to 7.755% (2010: 5.184% to 7.040%) per annum.

In the opinion of the directors, the carrying amounts of the Group's and the Company's current and non-current borrowings approximate their fair values. The fair values of the non-current borrowings are calculated by discounting their expected future cash flows at market rate.

34. CONSIDERATION PAYABLE FOR ACQUISITION OF NON-CONTROLLING INTERESTS

Balance as at 31 December 2010 represented the liability component of the consideration for the acquisition of 30% equity interest in Pan China Land (Holdings) Corporation ("Pan China Land"). During the year ended 31 December 2011, the consideration payable has been fully settled by the Company by the issue of an aggregate of 246,785,579 shares of the Company. Details of the acquisition and the settlement are set out in note 39.

The directors of the Company consider the carrying amount of the balance approximates its fair value.

35. SHARE CAPITAL

	Par value per share HK$	Number of shares '000	Nominal value HK$'000
Authorized			
Balance at 1 January 2010	**0.5**	**900,000**	**450,000**
Capital Reduction *(note (a))*		**–**	**(441,000)**
Increase in shares *(note (b))*	**0.01**	**44,100,000**	**441,000**
Balance at 31 December 2010, 1 January 2011 and 31 December 2011	**0.01**	**45,000,000**	**450,000**
Issued and fully paid			
Balance at 1 January 2010	0.5	523,485	261,742
Capital Reduction *(note (a))*		–	(256,507)
Subscription of new shares *(note (c))*	0.01	157,045	1,570
Placing of new shares *(note (d))*	0.01	41,000	410
Issue of new shares to settle options *(note (e))*	0.01	46,013	460
Balance at 31 December 2010 and 1 January 2011	**0.01**	**767,543**	**7,675**
Issue of new shares to settle consideration for acquisition of non-controlling interests *(note (f))*	**0.01**	**246,786**	**2,468**
Bonus Share Issue *(note (g))*	**0.01**	**507,164**	**5,072**
Balance at 31 December 2011	**0.01**	**1,521,493**	**15,215**

35. SHARE CAPITAL (CONTINUED)

Notes:

(a) Following the approval of the Capital Reduction by the Court on 1 February 2010 as mentioned in note 11, the authorized share capital of the Company was reduced by an amount of HK$441,000,000 from 900,000,000 shares of HK$0.5 each, totalling HK$450,000,000, to 900,000,000 shares of HK$0.01 each, totalling HK$9,000,000, on 9 February 2010. On the same date, the issued share capital of the Company was reduced by an amount of HK$256,507,000 from 523,485,000 shares of HK$0.5 each, totalling HK$261,742,000, to 523,485,000 shares of HK$0.01 each, totalling HK$5,235,000.

(b) Upon the Capital Reduction becoming effective, the authorized share capital of the Company was increased from HK$9,000,000 divided into 900,000,000 shares of HK$0.01 each to HK$450,000,000 divided into 45,000,000,000 shares of HK$0.01 each by the creation of an additional 44,100,000,000 new shares of HK$0.01 each ranking pari passu in all respects to all the issued and unissued reduced shares.

(c) Following the completion of the Subscription on 10 February 2010 as mentioned in note 11, the Company issued 157,045,368 new shares at HK$2.90 each to Star Amuse Limited, a direct wholly-owned subsidiary of COLI, representing approximately 23.08% of the issued share capital of the Company as enlarged by the Subscription. The Subscription has resulted in the increase in share capital and share premium account of the Company by HK$1,570,000 and HK$453,861,000 respectively. The related share issue expenses amounted to HK$6,614,000.

(d) On 19 May 2010, the placing agent of the Company placed 41,000,000 new shares of the Company at HK$5.00 each to certain placees. The placing has resulted in the increase in share capital and share premium account of the Company by HK$410,000 and HK$204,590,000 respectively. The related share issue expenses amounted to HK$2,515,000 and the net proceeds from the placing were approximately HK$202,485,000.

(e) As approved by the shareholders of the Company in an extraordinary general meeting on 26 May 2010, the Company issued 46,013,333 new shares on 3 June 2010 to settle the options previously granted to certain management. As a result of this, the share capital and share premium account of the Company has increased by HK$460,000 and HK$33,378,000 respectively. The related share issue expenses amounted to HK$116,000 and the net proceeds from the transactions were approximately HK$33,484,000. The settlement of the options is further detailed in note 38(c).

(f) Pursuant to the acquisition agreement (the "Acquisition Agreement") dated 2 November 2010 in relation to the acquisition of 30% equity interest in Pan China Land, which was an indirect non-wholly owned subsidiary of the Company, the Company issued an aggregate of 189,493,224 shares and 57,292,355 shares on 22 February 2011 and 5 May 2011 respectively to settle the obligation under the Acquisition Agreement. As a result of the issue of an aggregate 246,785,579 shares, the share capital and share premium account of the Company has increased by HK$2,468,000 and HK$1,236,721,000 respectively. The related share issue expenses amounted to HK$63,000. Details of the transactions are set out in note 39.

(g) On 2 August 2011, the directors of the Company recommended a bonus issue to the shareholders of the Company on the basis of one bonus share for every two existing shares of the Company in issue (the "Bonus Share Issue"). The proposed Bonus Share Issue was approved by the shareholders of the Company at the extraordinary general meeting on 26 August 2011. Immediately after the Bonus Share Issue, the issued share capital of the Company becomes approximately HK$15,215,000 divided into approximately 1,521,493,000 ordinary shares of HK$0.01 each by the creation of additional approximately 507,164,000 ordinary shares. The bonus shares had been credited as fully paid by way of capitalization of an amount of approximately HK$5,072,000 in the share premium account of the Company. The related share issue expenses amounted to HK$158,000. The bonus shares rank pari passu in all respects with the existing shares of the Company.

The share capital of the Company at the end of reporting period comprises only of fully paid ordinary shares with a par value of HK$15,215,000 (2010: HK$7,675,000). All shares are equally eligible to receive dividends and to the repayment of capital and each share is entitled to one vote at shareholders' meeting of the Company.

36. RESERVES

THE GROUP

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity on pages 43 and 44. The nature and purpose of the reserves are as follows:

Share premium and capital redemption reserve

The application of the share premium and capital redemption reserve is governed by the relevant provisions of the Hong Kong Companies Ordinance.

Share-based payment reserve of subsidiaries

Share-based payment reserve has been set up in accordance with the accounting policy set out in note 3.24.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations in accordance with the accounting policy adopted in note 3.17.

Asset revaluation reserve

Asset revaluation reserve arises from revaluation of assets such as properties (excluding investment properties).

Statutory reserves

In accordance with the relevant PRC rules and regulations, certain subsidiaries of the Company are required to appropriate certain % of their profits after tax to the respective statutory reserves. Subject to certain restrictions as set out in the relevant PRC regulations, these statutory reserves may be used to make good previous years' losses, if any, or to increase the paid-up capital of the respective subsidiaries, and may be used for capital expenditure on staff welfare facilities, as appropriate.

Distribution reserve

To facilitate the Distribution in Specie as mentioned in note 11, and following the approval of the Capital Reduction and Share Premium Cancellation by the Court on 1 February 2010, the credit arising from the Capital Reduction amounting to HK$256,507,000 as mentioned in note 35(a) and the credit arising from the Share Premium Cancellation amounting to HK$640,099,000 are transferred to the distribution reserve which is created for the purpose of the Distribution in Specie.

Other reserve

Other reserve was arising from the acquisitions of equity interest in subsidiaries by the Group by issuance of the Company's shares and the settlement of subsidiaries' options. Other reserve as at 31 December 2010 comprised (i) an amount of HK$681,520,000 which represented the equity component of the consideration given by the Group for acquiring 30% equity interest in Pan China Land as mentioned in note 39, and (ii) an amount of HK$154,345,000 transferred from share-based payment reserve of subsidiaries upon settlement of the vested Options as defined and disclosed in note 38(c), which is accounted for as a deduction from equity. The amount of HK$154,345,000 represented the difference between the fair value of the Company's shares issued on the settlement date of the Options as defined and disclosed in note 38(c) and the nominal value of the shares issued at nil consideration, adjusted for the effect of the non-controlling interests of Pan China Land.

During the year ended 31 December 2011, as a result of the issue of an aggregate of 246,785,579 ordinary shares of the Company to settle the consideration for the acquisition of 30% equity interest in Pan China Land, the equity component of the consideration of HK$681,520,000 (item (i) above) was released from other reserve to share premium account. Further details of the settlement are set out in note 39.

36. RESERVES (CONTINUED)

THE GROUP (CONTINUED)

Retained profits

Retained profits of the Group comprise:

	2011 HK$'000	2010 HK$'000
Final dividend proposed for the year *(note 13(a))*	**76,075**	95,704
Retained profits after proposed dividend	**2,218,487**	721,234
Total retained profits for the year	**2,294,562**	816,938

THE COMPANY

Details of the movements on the Company's reserves are as follows:

	Share premium* HK$'000	Capital redemption reserve* HK$'000	Distribution reserve* HK$'000	Other reserve* HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2010	640,099	44,822	–	–	1,099,654	1,784,575
Loss and total comprehensive income for the year	–	–	–	–	(23,282)	(23,282)
Capital Reduction *(notes 11 & 35(a))*	–	–	256,507	–	–	256,507
Share Premium Cancellation *(note 11)*	(640,099)	–	640,099	–	–	–
Distribution in Specie *(note 11)*	–	–	(896,606)	–	(474,098)	(1,370,704)
Subscription of new shares *(notes 11 & 35(c))*	453,861	–	–	–	–	453,861
Placing of new shares *(note 35(d))*	204,590	–	–	–	–	204,590
Issue of new shares to settle options *(note 35(e))*	33,378	–	–	170,001	–	203,379
Share issue expenses *(notes 35(c), (d) & (e))*	(9,245)	–	–	–	–	(9,245)
Acquisition of non-controlling interests in a subsidiary *(note 39)*	–	–	–	681,520	–	681,520
At 31 December 2010 and 1 January 2011	**682,584**	**44,822**	**–**	**851,521**	**602,274**	**2,181,201**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(110,028)**	**(110,028)**
2010 final dividend *(note (13(b))*	**–**	**–**	**–**	**–**	**(101,433)**	**(101,433)**
Issue of new shares to settle consideration for acquisition of non-controlling interests *(note 35(f))*	**1,236,721**	**–**	**–**	**(681,520)**	**–**	**555,201**
Bonus Share Issue *(note 35(g))*	**(5,072)**	**–**	**–**	**–**	**–**	**(5,072)**
Share issue expenses *(notes 35(f) & (g))*	**(221)**	**–**	**–**	**–**	**–**	**(221)**
At 31 December 2011	**1,914,012**	**44,822**	**–**	**170,001**	**390,813**	**2,519,648**

* the total of these equity accounts as at the reporting date represents "other reserves" in the Company's statement of financial position

36. RESERVES (CONTINUED)

THE COMPANY (CONTINUED)

Distribution reserve

To facilitate the Distribution in Specie as mentioned in note 11, and following the approval of the Capital Reduction and Share Premium Cancellation by the Court on 1 February 2010, the credit arising from the Capital Reduction amounting to HK$256,507,000 as mentioned in note 35(a) and the credit arising from the Share Premium Cancellation amounting to HK$640,099,000 are transferred to the distribution reserve which is created for the purpose of the Distribution in Specie.

Other reserve

Other reserve was arising from the acquisition of equity interest in subsidiaries by the Group by issuance of the Company's shares and the settlement of subsidiaries' options. Other reserve as at 31 December 2010 comprised (i) an amount of HK$681,520,000 which represented the equity component of the consideration given by the Group for acquiring 30% equity interest in Pan China Land as mentioned in note 39, and (ii) an amount of HK$170,001,000 which represented the difference between the fair value of the Company's shares issued on the settlement date of the Options as defined and disclosed in note 38(c) and the consideration received of HK$33,600,000, adjusted for the nominal value of the ordinary shares issued at nil consideration.

During the year ended 31 December 2011, as a result of the issue of an aggregate of 246,785,579 ordinary shares of the Company to settle the consideration for the acquisition of 30% equity interest in Pan China Land, the equity component of the consideration of HK$681,520,000 (item (i) above) was released from other reserve to share premium account. Further details of the settlement are set out in note 39.

Retained profits

Retained profits of the Company comprise:

	2011 **HK$'000**	2010 HK$'000
Final dividend proposed for the year *(note 13(a))*	**76,075**	95,704
Retained profits after proposed dividend	**314,738**	506,570
Total retained profits for the year	**390,813**	602,274

37. DEFERRED TAX

THE GROUP

The following are the major deferred tax liabilities and assets recognized by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Amortization on intangible assets HK$'000	Allowance on trade receivables HK$'000	Inventories of properties HK$'000	Revaluation of properties HK$'000	Provision for LAT HK$'000	Withholding tax HK$'000	Total HK$'000
At 1 January 2010	(2,478)	23,282	(549)	362,067	198,189	(118,008)	–	462,503
Translation adjustment	(102)	59	(19)	12,324	8,464	(6,480)	–	14,246
Charged/(Credited) to profit or loss	3,042	1,870	568	(52,693)	184,455	(93,014)	–	44,228
Reclassification	–	–	–	(12,314)	12,314	–	–	–
Distribution in Specie *(note 11)*	(462)	(25,211)	–	–	(31,667)	–	–	(57,340)
At 31 December 2010 and 1 January 2011	–	–	–	309,384	371,755	(217,502)	–	463,637
Translation adjustment	–	–	–	30,192	22,308	(15,858)	1,312	37,954
Acquisition of subsidiaries	–	–	–	584,175	–	–	–	584,175
Charged/(Credited) to profit or loss	–	–	–	24,297	123,703	(160,939)	56,080	43,141
Recognized in assets revaluation reserve	–	–	–	–	19,442	–	–	19,442
Reclassification	–	–	–	(11,232)	11,232	–	–	–
At 31 December 2011	–	–	–	936,816	548,440	(394,299)	57,392	1,148,349

Represented by:

	2011 HK$'000	2010 HK$'000
Deferred tax liabilities	1,443,005	560,079
Deferred tax assets	(294,656)	(96,442)
	1,148,349	463,637

37. DEFERRED TAX (CONTINUED)

THE GROUP (CONTINUED)

At the end of each reporting period, the expiry dates of the Group's unused tax losses available for offset against future profits, not recognized as deferred tax assets, are analyzed as follows:

	2011 HK$'000	2010 HK$'000
2011	–	4,413
2012	14,912	14,216
2013	12,054	11,885
2014	8,661	8,740
2015	22,253	32,358
2016	137,552	–
	195,432	71,612

As at 31 December 2011 and 2010, no deferred tax asset was recognized in respect of these tax losses due to the unpredictability of future profit streams. The tax losses of the subsidiaries in the PRC except Hong Kong may be carried forward for five years from the financial year when the corresponding loss was incurred.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

As at 31 December 2011, deferred tax liabilities of approximately HK$57,392,000 (2010: nil) have been recognized in respect of the undistributed earnings of a PRC subsidiary amounted to approximately HK$1,147,846,000. Deferred tax liabilities of approximately HK$113,329,000 as at 31 December 2011 (2010: HK$96,968,000) have not been established for the withholding and other taxation that would be payable on the unremitted earnings of certain other PRC subsidiaries as at 31 December 2011, as in the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. Such unremitted earnings amounted to approximately HK$1,254,905,000 as at 31 December 2011 (2010: HK$1,303,791,000).

THE COMPANY

No deferred tax has been provided in the financial statements of the Company as there are no material temporary differences (2010: nil).

38. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS

THE COMPANY

At the annual general meeting of the Company held on 11 May 2005, the shareholders of the Company approved the adoption of a new share option scheme (the "Scheme") for a period of 10 years commencing on the adoption date. Since 11 May 2005, the Board of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares in the Company subject to the terms and conditions as stipulated in the Scheme. No share options were granted since adoption.

SUBSIDIARIES

The share option schemes of Appeon Corporation ("Appeon") and Galactic Computing Corporation ("Galactic"), the then subsidiaries of the Company, became effective on 11 November 2002. Certain directors, employees and consultants of Appeon and Galactic were granted options as an incentive to them for their continuing contribution to the companies they worked for at a consideration of HK$1 on acceptance of the option offer. Appeon and Galactic form part of the Distributed Businesses which were distributed to the shareholders of the Company on 10 February 2010 as mentioned in note 11.

During the year ended 31 December 2007, Terborley Limited ("Terborley"), an indirect non-wholly-owned subsidiary of the Company, granted options to certain individuals. Details of these options were set out in the announcement of the Company dated 29 November 2007.

On 9 February 2010, the Company entered into agreement with certain management of the Group to transfer 10% registered capital of Huashiboli, an indirect non-wholly owned PRC subsidiary of the Company, held by the Group to the management at the consideration of RMB6 million. Details of these arrangements were set out in the announcement of the Company dated 24 February 2010.

(a) Appeon

Appeon was distributed to the shareholders of the Company on 10 February 2010 and there were no movements in the options granted by Appeon during the period from 1 January 2010 to 10 February 2010. No option was exercised by the grantees during the period up to 10 February 2010.

The fair value of the share options granted under the option scheme of Appeon are insignificant and accordingly, they were not accounted for in the financial statements.

38. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS (CONTINUED)

(b) Galactic

Galactic was distributed to the shareholders of the Company on 10 February 2010. Movements in the options granted under the option scheme of Galactic (the "Galactic Scheme") during the period from 1 January 2010 to 10 February 2010 were as follows:

			Number of share options			
Grantee	Date of grant	Subscription price per share US$	As at 1.1.2010	Lapsed during the period	Granted during the period	As at 10.2.2010
Mr. Yung Kwok Kee, Billy	9 June 2003	0.45	200,000	–	–	200,000
Other directors of Galactic	25 November 2002	0.45	180,000	–	–	180,000
	9 June 2003	0.45	80,000	–	–	80,000
	31 December 2007	0.45	2,982,655	–	–	2,982,655
			3,242,655	–	–	3,242,655
Employees	25 November 2002	0.45	50,000	–	–	50,000
	31 December 2007	0.45	1,787,727	(27,962)	–	1,759,765
	10 March 2009	0.45	298,266	–	–	298,266
			2,135,993	(27,962)	–	2,108,031
			5,578,648	(27,962)	–	5,550,686
			HK$	HK$	HK$	HK$
Weighted average exercise price			3.51	3.51	–	3.51

During the period from 1 January 2010 to 10 February 2010, 27,962 options were lapsed and there were no other movement in the options granted by Galactic during that period. No option was exercised by the grantees during the period up to 10 February 2010.

The fair values of the share options granted under the Galactic Scheme are insignificant and accordingly, they were not accounted for in the financial statements.

(c) Terborley

On 29 November 2007, Terborley entered into the option deeds (the "Option Deeds") with an aggregate of 49 individuals in the capacity as the management of the Group (the "Grantees"). Pursuant to the Option Deeds, Terborley granted to the Grantees certain options (the "Options") to acquire from Terborley an aggregate of 116,000 ordinary shares (the "Option Shares") of Pan China Land, an investee of Terborley, at the exercise price specified in the Option Deeds. The Options will vest on the date on which the shares of Pan China Land are listed on the Stock Exchange (the "Listing Date") and are exercisable for a period of 10 years from the Listing Date (the "Option Period").

38. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS (CONTINUED)

(c) Terborley (Continued)

Details of the Grantees and their entitlement to the Option Shares are as follows:

Grantee(s)	Number of Option Shares to which the Grantees are entitled	Approximate percentage of the total number of Option Shares
Mr. Yung Kwok Kee, Billy	20,000	17.2%
Mr. Eddie Hurip	800	0.7%
Senior staff and other employees of the Group #	95,200	82.1%
Total	116,000	100.0%

\# An aggregate of 5,200 Option Shares were held on trust by Mr. Yung Kwok Kee, Billy and Mr. Eddie Hurip, an ex-director of the Company.

Terborley will receive an aggregate amount of HK$69,600,000 if all the Options are exercised based on the initial exercise price of HK$600 per share. A consideration of HK$1 is payable by the Grantee on acceptance of the offer of the grant of an Option.

The Grantees may exercise the Options in whole or in part by giving exercise notice to Terborley at any time during the Option Period provided that the Grantees shall exercise the Options to acquire the Option Shares in accordance with the following vesting schedule:

Vesting schedule	Maximum percentage of Option Shares comprised in an Option which may be exercised
On or after the Listing Date	20%
Six months after the Listing Date	40%
Twelve months after the Listing Date	60%
Eighteen months after the Listing Date	80%
Twenty-four months after the Listing Date	100%

The fair value of the Options granted on the grant date, determined by an independent valuer using the Binomial Model, was RMB195 million (equivalent to approximately HK$221 million) in aggregate. Share option expense arising from granting the Options were fully charged to profit or loss in 2010. The amount of share option expense recognized as staff cost for the year ended 31 December 2010 amounted to HK$16,375,000. The corresponding amount has been credited to the share-based payment reserve of subsidiaries and non-controlling interests. No liabilities were recognized as these are equity-settled share-based payment transactions.

38. SHARE OPTION SCHEMES AND SHARE-BASED PAYMENTS (CONTINUED)

(c) Terborley (Continued)

No options had been further granted or exercised for the year ended 31 December 2010. Following the completion of the Transactions as detailed in note 11, the Options were vested and become immediately exercisable on 10 February 2010.

The Company entered into various cancellation deeds in February and March 2010, in relation to the settlement of the 116,000 Options which have become vested on 10 February 2010 and details of which are as follows:

(i) 56,000 Options be cancelled and the consideration for such cancellations will be satisfied by way of issuing 22,213,333 new shares of the Company to the respective grantees at a subscription price of approximately HK$1.51 per share; and

(ii) 60,000 Options be cancelled and the consideration for such cancellations will be satisfied by way of issuing 23,800,000 new shares of the Company to the respective grantees at nil cash consideration.

The settlement arrangement for the Options and the issue of new shares were approved by the Company's shareholders at the extraordinary general meeting on 26 May 2010. Upon receipt of the consideration for the settlement, on 3 June 2010, the Options were cancelled. The settlement of the vested Options is accounted for as a transfer within equity and the previously recognized share-based payment reserve is released accordingly.

(d) Share-based payments of Huashiboli

On 9 February 2010, the Company entered into a compensation arrangement with certain ex-management of the Group (the "Ex-EB Management") through a proposed cooperation with the Ex-EB Management in respect of a property development project in the PRC which is conducted by Huashiboli. Under the proposed cooperation, the Ex-EB Management would obtain 10% of the registered capital of Huashiboli (the "Capital") at the consideration of RMB6 million (equivalent to approximately HK$6,878,000). In addition, the Group and the non-controlling shareholder of Huashiboli are required to contribute additional capital of RMB3 million (equivalent to approximately HK$3,438,000) and RMB1 million (equivalent to approximately HK$1,146,000) respectively. As a result, the effective interest in Huashiboli held by the Group would be reduced from 90% to 80%. The transfer of the Capital was accounted for as a share-based payment. The fair value of the Capital on the grant date, as determined by an independent professional valuer after taking into account the consideration of RMB6 million, was RMB50 million (equivalent to approximately HK$56.9 million). The amount of share-based payment charged to profit or loss as staff cost for the year ended 31 December 2010 amounted to HK$56,925,000 with the corresponding amount being recognized in the share-based payment reserve of subsidiaries and non-controlling interests. No liabilities were recognized for this equity-settled share-based payment transaction. On completion of the transfer of the Capital, the carrying amount of 10% equity interest in Huashiboli amounted to HK$33,500,000. The share-based payment reserve was released and the difference between the fair value of the Capital and the carrying amount of 10% equity interest in Huashiboli was accounted for as equity transaction in retained profits.

39. ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY

On 2 November 2010, the Company entered into the Acquisition Agreement in relation to the acquisition of 30% equity interest in Pan China Land at a consideration of HK$1,233,927,895. Through the acquisition, the Group increased its effective equity interest in Pan China Land from 70% to 100%. The principal activity of Pan China Land is investment holding of property development and property investment businesses.

The consideration of HK$1,233,927,895 shall be satisfied by the Company by the issue of 246,785,579 ordinary shares of the Company (the "Consideration Shares") or in cash in accordance to the terms of the Acquisition Agreement.

39. ACQUISITION OF NON-CONTROLLING INTERESTS IN A SUBSIDIARY (CONTINUED)

Pursuant to the terms of the Acquisition Agreement, within 12 months from the date of obtaining of the independent shareholders' approval at an extraordinary general meeting of the Company (the "First 12-month Period") and when the closing price of the shares of the Company as quoted on the Stock Exchange remains above HK$6.6 per share (subject to adjustments for, among other things, subdivision or consolidation of the shares of the Company) for any ten consecutive trading days (the "Condition"), the Company shall have the obligation to issue the Consideration Shares to the vendors.

In the case that the Condition has not been fulfilled within the First 12-month Period, the First 12-month Period will be automatically extended by a further 6-month period following the end of the First 12-month Period (the "Next 6-month Period"). Accordingly, if the Condition is fulfilled during the Next 6-month Period, the Company shall issue the Consideration Shares to the vendors. The consideration for the acquisition can be settled by cash payment of HK$1,233,927,895 during the First 12-month Period and the Next 6-month Period only by mutual agreement in writing between the Company and the vendors. In the case that the Condition has not been fulfilled within the First 12-month Period and the Next 6-month Period, the vendors shall have the right to request the Company to settle the consideration for the acquisition by either (i) issue of the Consideration Shares; or (ii) cash payment of HK$1,233,927,895 within the 6-month period following the end of the Next 6-month Period (the "Last 6-month Period").

In the event that upon expiry of the Last 6-month Period, the vendors have not exercised its right to request the Company to settle the consideration by either issue of the Consideration Shares or cash payment of HK$1,233,927,895, the Company shall not be obliged to allot and issue the Consideration Shares or to pay in cash pursuant to the terms of the Acquisition Agreement, and in such circumstances, all obligations of the Company under the Acquisition Agreement shall be deemed having been fully performed upon the expiry of the Last 6-month Period.

The acquisition was completed on 20 December 2010. The fair value of the consideration, which was assessed by an independent professional valuer, at the date of acquisition, amounted to HK$1,187,323,000 which comprised a liability component of HK$505,803,000, which was initially recognized at fair value and subsequently measured at amortized cost, and an equity component of HK$681,520,000 which was included in other reserve in equity. The carrying amount of the non-controlling interests in Pan China Land being acquired at the date of acquisition was HK$521,578,000. The difference in the fair value of the consideration and the carrying amount of the non-controlling interests of Pan China Land amounting to HK$665,745,000 was dealt with in retained profits in equity.

Transaction costs incurred and paid for the acquisition amounted to HK$4,742,000 and other than this, the Group did not incur cash outflow for the acquisition during the year ended 31 December 2010.

On 10 February 2011, the closing price of the shares of the Company as quoted on the Stock Exchange remained above HK$6.6 per share for a period of ten consecutive trading days (i.e. from 26 January 2011 to 10 February 2011) and accordingly, the Condition stipulated in the Acquisition Agreement was satisfied. As a result, the Company issued an aggregate of 189,493,224 Consideration Shares and 57,292,355 Consideration Shares on 22 February 2011 and 5 May 2011 respectively.

The imputed interest in respect of the liability component during the period from 1 January 2011 to 10 February 2011 amounted to approximately HK$51,866,000 (note 9). Upon satisfying the Condition, the liability component amounting to HK$557,669,000 as at 10 February 2011 was derecognized and the equity component of HK$681,520,000 was released to share premium account. As a result of the issue of 246,785,579 Consideration Shares, the share capital and share premium account of the Company has increased by HK$2,468,000 and HK$1,236,721,000 respectively.

40. ACQUISITIONS OF SUBSIDIARIES

(a) On 22 August 2011, the Group entered into an co-operation agreement in relation to the acquisition of 70% of equity interest in 吉林市怡恒偉業房地產開發有限公司 ("Jilin Yihen Weiye") through injection of a cash amount of RMB140 million (equivalent to approximately HK$168,742,000) into Jilin Yihen Weiye. Jilin Yihen Weiye is a limited liability company incorporated in the PRC and is principally engaged in property development in Jilin, the PRC. The acquisition will enhance the Group's interest in a portfolio of property development projects in the PRC. The acquisition was completed in August 2011.

The Group has elected to measure the non-controlling interests in Jilin Yihen Weiye at the non-controlling interests' proportionate share of Jilin Yihen Weiye's identifiable net assets.

The following table summarizes the consideration payable for Jilin Yihen Weiye, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

	HK$'000
Consideration:	
Cash	168,742

	Fair value on acquisition HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	2,463
Inventories of properties	1,139,037
Trade and other receivables, prepayments and deposits *(note (i))*	20,284
Tax prepaid	9,190
Restricted cash and deposits	9,751
Cash and cash equivalents	214,156
Trade and other payables	(313,742)
Sales deposits received	(176,692)
Amounts due to non-controlling interests	(348,997)
Deferred tax liabilities	(227,906)
Total identifiable net assets at fair value	327,544
Non-controlling interests (30%)	(98,263)
Total identifiable net assets acquired	229,281
Gain on bargain purchase *(note (ii))*	(60,539)
Consideration	168,742

40. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(a) (Continued)

Notes:

(i) The fair value of trade and other receivables as at the date of acquisition amounted to HK$20,284,000. The gross amount of these receivables is HK$20,284,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

(ii) The gain on bargain purchase arising from acquisition of Jilin Yihen Weiye is recognized in "Other gains, net – Gain arising from acquisitions of subsidiaries" in the consolidated income statement.

The gain on bargain purchase is attributable to the Group's strong bargaining power and ability in negotiating the agreed terms of the transaction with the vendors, as well as the expectation of the vendors, who become the non-controlling shareholders holding 30% equity interest of Jilin Yihen Weiye, for the future enhancement of Jilin Yihen Weiye's property development business and operating effectiveness that will be brought by the Group's brand name and expertise in the industry.

An analysis of the cash flows in respect of acquisition of Jilin Yihen Weiye is as follows:

	HK$'000
Cash consideration paid	168,742
Cash and bank balances acquired	(214,156)
Net inflow of cash and cash equivalents included in cash flows from investing activities	(45,414)
Transaction costs of the acquisition included in cash flows from operating activities	268
	(45,146)

Since the acquisition date, Jilin Yihen Weiye has contributed HK$185,723,000 and HK$3,054,000 to the Group's revenue and profit after income tax respectively. If the acquisition had occurred on 1 January 2011, the Group's revenue and profit after income tax would have been HK$5,413,062,000 and HK$1,964,193,000 respectively.

The acquisition-related costs of approximately HK$268,000 have been expensed and are included in administrative expenses in the consolidated income statement.

(b) On 19 October 2011, the Group entered into a compensation and share transfer agreement (the "Compensation and Share Transfer Agreement") for the acquisition of 55.5% of the equity interest in Beijing Tonghui at a purchase price of RMB710 million (equivalent to approximately HK$855,763,000). Before the acquisition, the Group held 45.5% equity interest in Beijing Tonghui and Beijing Tonghui was accounted for as a jointly controlled entity. The Group's equity interest in Beijing Tonghui has increased from 44.5% to 100% and the Group has obtained control of Beijing Tonghui after the acquisition. Beijing Tonghui is a limited liability company incorporated in the PRC and is principally engaged in property development in Beijing. The acquisition would allow the Group to exercise effective control over Beijing Tonghui and to expedite the progress of the property development project held by Beijing Tonghui. The acquisition was completed in October 2011.

The purchase price comprises balances for settlement of shareholders' loan and other costs incurred by Beijing Tonghui for property development amounting to approximately HK$494,460,000 in aggregate and consideration for obtaining control over Beijing Tonghui amounting to approximately HK$361,303,000.

40. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(b) (Continued)

As part of the Compensation and Share Transfer Agreement, the vendors shall co-operate with the Group to continue with the preliminary application processes for approval in relation to a primary land development under the name of Beijing Tonghui for a property development project, namely Pushang Mansion Project. If the development approval is granted by the PRC government, the Group and the vendors shall jointly develop and make contribution to the Pushang Mansion Project. If Beijing Tonghui fails to obtain the land use right certificate for Pushang Mansion Project before 1 March 2012, the Group shall pay a cash amount of RMB50 million (equivalent to HK$60,265,000) (the "Contingent Payment") to the vendors as compensation.

The following table summarizes the consideration payable for Beijing Tonghui, the fair value of assets acquired, liabilities assumed at the acquisition date and gain on acquisition of Beijing Tongjhui.

	HK$'000
Aggregate of consideration transferred and fair value of previously held equity interest:	
Purchase price pursuant to the Compensation and Share Transfer Agreement	855,763
Less: Amounts for settlement of shareholders' loans and other payables	(494,460)
Consideration	361,303
Fair value of previously held 44.5% equity interest *(note (iii))*	231,754
	593,057

	Fair value on acquisition HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	370
Inventories of properties	1,527,475
Trade and other receivables, prepayments and deposits *(note (i))*	17,224
Restricted cash and deposits	18,758
Cash and cash equivalents	21,761
Trade and other payables	(504,319)
Balances with group companies	(117,248)
Deferred tax liabilities	(356,269)
Total identifiable net assets acquired	607,752
Gain on bargain purchase	(14,695)
	593,057

40. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

(b) (Continued)

	HK$'000
Gain arising from acquisition of a subsidiary	
Gain on bargain purchase arising from acquisition of further 55.5% equity interest *(note (ii))*	**14,695**
Gain on re-measuring the fair value of previously held 44.5% equity interest *(note (iii))*	**60,466**
Total gain *(note (iv))*	**75,161**

Notes:

(i) The fair values of trade and other receivables as at the date of acquisition amounted to HK$17,224,000. The gross amounts of these receivables are HK$17,224,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

(ii) The Group recognized a gain on bargain purchase on acquisition of further 55.5% equity interest of Beijing Tonghui amounted to approximately HK$14,695,000. The gain on bargain purchase is attributable to the Group's strong bargaining power and ability in negotiating the agreed terms of the transaction with the vendors.

(iii) The acquisition-date fair value of the Group's 44.5% equity interest held in Beijing Tonghui before the acquisition amounted to HK$231,754,000. The Group recognized a gain of HK$60,466,000 as a result of re-measuring the 44.5% equity interest in Beijing Tonghui to fair value.

(iv) The total gain arising from acquisition of Beijing Tonghui of approximately HK$75,161,000 is recognized in "Other gains, net – Gain arising from acquisitions of subsidiaries" in the consolidated income statement.

(v) The Contingent Payment relates to a property development project in future which is accounted for separately from the acquisition. As assessed by the management, it is unlikely that the Group is able to obtain the relevant approval from the PRC government and accordingly, the Group has recognized a provision for the Contingent Payment of HK$60,265,000 with the corresponding amount being recognized in "Other operating expenses" in the consolidated income statement.

An analysis of the cash flows in respect of acquisition of Beijing Tonghui is as follows:

	HK$'000
Cash paid	**284,766**
Cash and bank balances acquired	**(21,761)**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**263,005**
Transaction costs of acquisition included in cash flows from operating activities	**30**
	263,035

As the project of Beijing Tonghui is still at early stage of development, Beijing Tonghui had insignificant contribution to the Group's revenue and profit after income tax since acquisition.

The acquisition-related costs of HK$30,000 have been expensed and are included in administrative expenses in the consolidated income statement.

41. DISPOSAL OF A SUBSIDIARY

(a) During 2009, the Group entered into a co-operation termination agreement and a settlement agreement in respect of the property development project conducted by 青島頤景房地產開發有限公司 ("青島頤景"), a non-wholly owned subsidiary of the Group. Pursuant to the co-operation termination agreement and the settlement agreement, the Group and all the non-controlling shareholders of 青島頤景 agreed to terminate the co-operation agreement signed among them in 2007 and the non-controlling shareholders of 青島頤景 agreed to pay certain amount to the Group in return for the transfer of the Group's entire 70% equity interest in 青島頤景 to one of the non-controlling shareholders of 青島頤景. The said amount comprised capital injected to 青島頤景 by the Group, which was arranged and recorded as such in the book of 青島頤景 as shareholder's loan, fund appropriation fees and penalty, as well as an amount of RMB7 million which represented the original purchase price of 70% registered capital in 青島頤景 by the Group in 2007. The disposal was suspended in 2009.

During the year ended 31 December 2011, the disposal of 青島頤景 is completed upon the payment of RMB179,367,000 (equivalent to approximately HK$213,340,000) by the non-controlling shareholders of 青島頤景. The gain arising from the disposal of 青島頤景 amounted to approximately HK$213,340,000 and the disposal gain net of tax was approximately HK$196,136,000.

	2011 **HK$'000**
Total amount received from the non-controlling interests	**213,340**
Net assets disposed of *(note)*:	
Other receivables	**5,947**
Other payables	**(5,947)**
Gain on disposal of a subsidiary	**213,340**

Note: The property development project held by 青島頤景 was fully written down by the Group in 2009 due to the changes in business environment and the local government policy which were assessed by the directors to have adverse impact on the commercial viability of the project.

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2011 **HK$'000**
Cash received	**213,340**
Cash and bank balances disposed of	**–**
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	**213,340**

The disposed subsidiary had insignificant contribution to the Group's revenue and net profit during the year ended 31 December 2011.

41. DISPOSAL OF A SUBSIDIARY (CONTINUED)

(b) During the year ended 31 December 2010, the Group disposed of its 90% interest in the registered capital of a subsidiary, 惠州市光大置業有限公司 ("Huizhou Everbright"), to the non-controlling shareholder of Huizhou Everbright, at a cash consideration of RMB314,800,000 (equivalent to approximately HK$361,989,000). The gain on the disposal of the subsidiary amounted to approximately HK$251,689,000 and the disposal gain net of tax was approximately HK$240,697,000.

	2010 HK$'000
Net assets disposed of:	
Inventories of properties	110,416
Cash and cash equivalents	1,036
Trade and other payables	(14)
Taxation liabilities	(3)
	111,435
Non-controlling interests	(1,135)
	110,300
Gain on disposal of a subsidiary	251,689
Total consideration – satisfied by cash	361,989

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2010 HK$'000
Cash consideration received	361,989
Cash and bank balances disposed of	(1,036)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	360,953

During the year ended 31 December 2010, the disposed subsidiary had contributed to the Group's operating cash outflow of approximately HK$6,000. The losses of the disposed subsidiary included in the Group's income statement amounted to approximately HK$16,000.

42. RETIREMENT BENEFITS SCHEMES

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme is a defined contribution retirement benefits scheme and contributions to the scheme 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.

The employees of the subsidiaries of the Group which operate in the PRC are required to participate in a central pension scheme operated by the local municipal governments. These PRC subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The total expenses recognized in profit or loss of HK$5,417,000 (2010: HK$4,578,000) represent contributions paid/payable to these schemes by the Group in the year. As at 31 December 2011, no forfeited contribution under these schemes is available to reduce the contribution payable in future (2010: nil).

43. PLEDGE OF ASSETS

As at 31 December 2011, the carrying amount of the assets pledged by the Group to secure general banking and other loan facilities granted to the Group are analyzed as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Land and buildings in property, plant and equipment	**11,357**	29,271
Investment properties	**1,878,621**	1,268,041
Inventories of properties	–	161,800
Trade receivables	**989**	4,155
	1,890,967	1,463,267

44. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties and quarters under operating leases arrangements. Leases of these properties are negotiated for periods ranging from one to thirty years (2010: three to thirty years) and rentals are fixed over the contracted period. As at 31 December 2011, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises payable as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**7,860**	5,962	**2,552**	2,552
In the second to fifth year, inclusive	**16,639**	15,367	**1,063**	3,615
Over five years	**37,776**	40,398	**–**	–
	62,275	61,727	**3,615**	6,167

As lessor

The Group leases its investment properties (note 16) under operating lease arrangements with leases negotiated for period ranging from two to twenty years (2010: one to eleven years). As at 31 December 2011, the Group had contracted with tenants for the following future minimum lease payments receivable:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Within one year	**116,503**	89,769
In the second to fifth year, inclusive	**217,336**	154,644
Over five years	**15,282**	14,499
	349,121	258,912

45. OTHER COMMITMENTS

As at 31 December 2011, the Group had other significant commitments as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Contracted for but not provided for in the financial statements:		
– Acquisition of land	**600,546**	–
– Property development	**2,667,121**	2,599,020
Authorized but not contracted for:		
– Investment in equity interest	**179,598**	108,780
– Acquisition of land	**3,232,204**	4,771,664

46. GUARANTEES

As at 31 December 2011, the Group and the Company had issued the following significant guarantees:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to:				
Bank for term loan facility granted to a subsidiary	**–**	–	**400,000**	–
Banks for mortgage loans granted to purchasers of certain subsidiaries' properties	**2,969,355**	1,925,062	**–**	–
	2,969,355	1,925,062	**400,000**	–

In the opinion of the directors, the financial impact arising from providing the above financial guarantees is insignificant and accordingly, they are not accounted for in these financial statements.

47. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties:

(a) On 29 March 2011, the Company entered into an agreement with China State Construction Engineering Corporation Limited ("CSCECL") whereby the Group may engage CSCECL and its subsidiaries (the "CSCECL Group") as construction contractor in the PRC upon successful tender for a term of three years from 1 June 2011 to 31 May 2014. CSCECL is an intermediate holding company of COLI.

If any contract is granted in favour of the CSCECL Group as a result of the tender, the total contract sum to be awarded by the Group to CSCECL Group for the period between 1 June 2011 and 31 December 2011 shall not exceed HK$850,000,000, for each of the two years ending 31 December 2013 shall not exceed HK$850,000,000, and for the period between 1 January 2014 to 31 May 2014 shall not exceed HK$800,000,000.

During the year ended 31 December 2011, total contract sum granted by the Group to CSCECL Group under the contractor agreements amounted to approximately HK$816,577,000. No such transaction was conducted during the year ended 31 December 2010.

(b) On 6 April 2011, the Company and COLI entered into a trademark licence agreement ("Trademark Licence Agreement") in relation to the grant of non-executive rights by COLI to the Group to use the trademark "中海地產" (the "Trademark") in the PRC in connection with the marketing and sale of its real estate developments for a period from 6 April 2011 to 31 March 2014. The Trademark is registered in the PRC and owned by 中海地產集團有限公司, a subsidiary of COLI.

Pursuant to the Trademark Licence Agreement, the Company agrees to pay one percent of its annual turnover for each financial year ended/ending 31 December 2011, 2012 and 2013 respectively as royalty. The royalty payable under the Trademark Licence Agreement for the period from 6 April 2011 to 31 March 2011 and for each of the twelve-month period between 1 April 2012 and 31 March 2014 shall not exceed HK$100,000,000.

For the year ended 31 December 2011, royalty incurred by the Group under the Trademark Licence Agreement amounted to approximately HK$51,743,000. No royalty was paid or payable by the Group for the year ended 31 December 2010. As at 31 December 2011, the royalty payable to COLI by the Group amounted to HK$51,743,000 (2010: nil) which was included in trade and other payables in the consolidated statement of financial position. The amount due to COLI is unsecured, interest-free and repayable on demand.

(c) On 2 August 2011, a subsidiary of the Group entered into tenancy agreements (the "Tenancy Agreements") with 北京中海豪峰地產開發有限公司 and 北京嘉益德房地產開發有限公司 (the "Tenants"), subsidiaries of COLI, to lease out certain commercial units of China Overseas International Center held by the subsidiary to the Tenants.

Pursuant to the Tenancy Agreements, the lease term is from 1 August 2011 to 31 July 2014. The annual rent payable by 北京中海豪峰地產開發有限公司 and 北京嘉益德房地產開發有限公司 are RMB8,309,000 and RMB4,167,000 respectively. The total rental payable under the Tenancy Agreements for each of the twelve-month period between 1 August 2011 and 31 July 2014 shall not exceed RMB12,477,000.

For the year ended 31 December 2011, total rental income generated from the Tenancy Agreements is approximately RMB5,199,000 (equivalent to approximately HK$6,266,000). No rental income was received from the Tenants for the year ended 31 December 2010. As at 31 December 2011, rental income received in advance from the Tenants amounted to approximately HK$1,282,000 (2010: nil).

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) On 3 August 2011, the Company entered into an agreement with 中海物業管理有限公司 ("COPM"), a subsidiary of COLI, whereby the Group may engage COPM and its subsidiaries (the "COPM Group") as property manager for its property development projects in the PRC upon successful tender for a term of three years from 3 August 2011 to 31 July 2014.

If any contract is granted in favour of the COPM Group as a result of the tender, the total property management fees payable by the Group to the COMP Group for the period from 3 August 2011 to 31 July 2012 and for each of the twelve-month period between 1 August 2012 and 31 July 2014 shall not exceed RMB25,200,000, RMB33,600,000 and RMB33,000,000 respectively.

For the year ended 31 December 2011, total property management fees paid/payable by the Group to the COMP Group amounted to approximately RMB3,635,000 (equivalent to approximately HK$4,381,000). No property management fee was paid/payable to the COMP Group for the year ended 31 December 2010.

(e) On 4 August 2011, a subsidiary of the Company, entered into a project design agreement (the "Project Design Agreement") with 香港華藝設計顧問(深圳)有限公司, a subsidiary of COLI. Pursuant to the Project Design Agreement, the Company engages 香港華藝設計顧問(深圳)有限公司 as project design consultant to provide design related services for a development project in Hohhot-Inner Mongolia at a consultancy fee of not more than RMB6,300,000 (equivalent to approximately HK$7,560,000).

For the year ended 31 December 2011, total consultancy fee incurred by the Group amounted to HK$3,037,000 (2010: HK$3,622,000), which is fully settled during the year.

(f) For the year ended 31 December 2011, the Group generated interest income of approximately HK$3,007,000 (2010: nil) from a jointly controlled entity.

(g) Key management personnel remuneration include the following expenses:

	2011 **HK$'000**	2010 HK$'000
Short-term employee benefits	**10,417**	6,519
Post-employment benefits	**6**	2,936
Share-based payments	**–**	28
	10,423	9,483

47. RELATED PARTY TRANSACTIONS (CONTINUED)

(h) Transactions with other state-controlled entities in the PRC

The Group is not controlled by the PRC government. However, the Group is an associated company of COLI while the ultimate holding company of COLI is CSCEC, a company controlled by the PRC government, as such, the PRC government is regarded as a related party of the Group. Apart from the transactions already disclosed above, the Group also conducts business with other state-controlled entities. The directors consider the transactions with those state-controlled entities are conducted on an arms' length basis.

In connection with its property development activities, other than those disclosed in notes (a) and (e) above, the Group awards construction and other works contracts to PRC entities, some of which, to the best knowledge of management, are state-controlled entities. The Group has also entered into various transactions with the PRC government departments or agencies, mainly acquisition of land through tendering to those government departments or agencies. During the year ended 31 December 2011, the Group acquired certain parcels of land from the PRC government departments through public tender at an aggregate consideration of approximately HK$3,127,200,000 (2010: HK$4,855,810,000).

In addition, in the normal course of business, the Group entered into various deposits and lending transactions with banks and financial institutions which are state-controlled entities.

Other than those disclosed above, the directors consider that the other transactions with the state-controlled entities are not significant to the Group.

The Group is active in property sale, property leasing and provision of property management services in various provinces in the PRC. The directors are of the opinion that it is impracticable to ascertain the identity of all the counterparties and accordingly whether the transactions are with state-controlled entities. However, the directors are of the opinion that the transactions with state-controlled entities are not significant to the Group's operations.

In addition to the above transactions, details of the Group's balances with related parties are disclosed in consolidated statement of financial position and notes 28 and 31. The details of the Company's balances with related parties are disclosed in the Company's statement of financial position and note 27.

The related party transactions in respect of items (a) to (e) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

48. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's financial stability and growth.

The Group monitors its capital structure on the basis of net gearing ratio i.e. net debt to equity. Net debt includes borrowings less restricted cash and deposits and cash and cash equivalents. Equity represents equity attributable to owners of the Company. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The net gearing ratios of the Group as at 31 December 2011 and 2010 were as follows:

	2011 **HK$'000**	2010 HK$'000
Borrowings	**4,002,707**	2,247,500
Less: restricted cash and deposits	**(805,204)**	(337,415)
Less: cash and cash equivalents	**(2,021,223)**	(1,890,555)
Net debt	**1,176,280**	19,530
Capital represented by equity attributable to owners of the Company	**5,146,007**	2,675,414
Net gearing ratio	**22.9%**	0.7%

The Group targets to maintain a net gearing ratio to be in line with the expected changes in economic and financial conditions. The Group's overall strategy on capital management remains unchanged throughout the year.

49. FINANCIAL INSTRUMENTS

49.1 Categories of financial instruments

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables #	**2,989,364**	2,439,764	**1,342,888**	751,850
Financial liabilities				
Financial liabilities at amortized cost ^	**6,752,342**	4,305,534	**5,621**	3,045

\# including trade and other receivables, amounts due from subsidiaries, jointly controlled entities and non-controlling interests and cash at bank and in hand.

^ including trade payables, other payables and accruals, amounts due to a jointly controlled entity and non-controlling interests, consideration payable, borrowings and other liabilities.

49.2 Financial results by financial instruments

	2011	2010
	HK$'000	HK$'000
Fair value loss on:		
Financial assets at fair value through profit or loss		
– classified as held for trading	–	(1,497)
Interest income or (expenses) on:		
Loans and receivables	**27,701**	22,178
Financial liabilities at amortized cost	**(221,662)**	(108,998)
Reversal of impairment on:		
Loans and receivables	**35,457**	1,354

49.3 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks which comprise market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the Board. The Group does not have written risk management policies. However, the directors and senior management of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks.

49. FINANCIAL INSTRUMENTS (CONTINUED)

49.4 Financial risk management

(a) Market risk

(i) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. For the year ended 31 December 2011 and 2010, the Group mainly operates in Hong Kong and the PRC. The functional currency of the Company and its subsidiaries are mainly HK$ and RMB. The Group is exposed to currency risk arising from fluctuations on foreign currencies against the functional currencies of the Company and the group entities. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group continued to conduct its sales mainly in RMB and make payments in RMB. In addition, the Group's borrowings were mainly denominated in HK$ and RMB. The directors consider that a natural hedge mechanism existed. The Group would, however, closely monitor the volatility of the RMB exchange rate. All in all, the Group's risk exposure to foreign exchange rate fluctuations remained minimal.

(ii) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from borrowings. Borrowings arranged at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. All of the borrowings of the Group and the Company as at 31 December 2011 and 2010 bore interest at floating rates. The interest rate and repayment terms of the borrowings outstanding at the end of the reporting period are disclosed in note 33.

The Group's bank balances also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances. The directors consider the Group's exposure of the bank deposits is not significant as interest-bearing deposits are within short maturity periods in general.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

49. FINANCIAL INSTRUMENTS (CONTINUED)

49.4 Financial risk management (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

The following sensitivity demonstrates the Group's and the Company's exposure to a reasonably possible change in interest rates on its floating rate borrowings with all other variables held constant at the end of the reporting period (in practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material):

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase/(Decrease) in profit after tax and retained profits				
+ 50 bp (2010: 50 bp)	**(3,535)**	(7,172)	**(2,812)**	–
–10 bp (2010: 10 bp)	**707**	1,434	**563**	–

The changes in interest rates do not affect the Group's and the Company's other components of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the loans outstanding at the end of the reporting period resembles that of the corresponding financial year.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities. The Group is also exposed to credit risk arising from the provision of financial guarantees and the amounts of which are as disclosed in note 46.

The Group limits its exposure to credit risk by rigorously selecting the counterparties and to deal only with credit worthy counterparties. Credit risk on restricted cash and deposits as well as cash and cash equivalents (note 29) is mitigated as cash is deposited in banks of high credit rating. The credit and investment policies have been consistently applied and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

In the opinion of the directors, the Group does not have significant concentration of credit risk as the trade receivables as at 31 December 2011 and 2010 consist of a large number of customers. Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in note 26.

For properties that are presold but development has not been completed, the Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties. If a purchaser defaults on the payment of its mortgage during the period of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding loan and any interest accrued thereon. As the mortgage loans are secured by properties with current market price higher than the guaranteed amounts, the management considers it would recover any loss incurred arising from the guarantee provided by the Group.

49. FINANCIAL INSTRUMENTS (CONTINUED)

49.4 Financial risk management (Continued)

(c) *Liquidity risk*

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain a prudent liquidity risk management which is to maintain sufficient cash and cash equivalents as well as to make available of fund through adequate amounts of committed credit facilities and the ability to close out market positions. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The liquidity policies have been consistently applied and are considered to have been effective in managing liquidity risk.

The following tables summarize the maturity of the Group's and the Company's financial liabilities based on agreed scheduled repayments set out in the agreements. The amounts include interest payments computed using contractual rates. As at 31 December 2011 and 2010, none of the Group's bank borrowings and other loan contains a repayable on demand clause. The directors believe that these bank borrowings and other loan will be repaid in accordance with the scheduled repayment dates set out in the loan agreements or the repayment schedules agreed with the banks and financial institution.

	THE GROUP			
	On demand or within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000
As at 31 December 2011				
Bank borrowings	**1,256,863**	**1,531,667**	**1,079,114**	**206,426**
Other loan	**341,235**	–	–	–
Trade payables	**1,772,625**	–	–	–
Other payables and accruals	**325,265**	–	–	–
Other liabilities	**651,745**	–	–	–
	4,347,733	**1,531,667**	**1,079,114**	**206,426**
As at 31 December 2010				
Bank borrowings	1,019,784	521,230	459,156	–
Other loan	22,211	22,211	422,426	–
Trade payables	1,348,298	–	–	–
Other payables and accruals	135,973	–	–	–
Other liabilities *(note)*	67,960	1,233,928	–	–
	2,594,226	1,777,369	881,582	–

49. FINANCIAL INSTRUMENTS (CONTINUED)

49.4 Financial risk management (Continued)

(c) *Liquidity risk (Continued)*

	THE COMPANY			
	On demand or within 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000
As at 31 December 2011				
Bank borrowings	90,147	437,100	251,471	–
Other payables and accruals	5,621	–	–	–
	95,768	437,100	251,471	–
As at 31 December 2010				
Other payables and accruals	3,045	–	–	–
Other liabilities *(note)*	–	1,233,928	–	–
	3,045	1,233,928	–	–

Note:

Other liabilities as at 31 December 2010 which will be due for payment in one to two years represent the consideration payable for the acquisition of non-controlling interests in Pan China Land as detailed in note 39.

The contractual financial guarantees provided by the Group and the Company are disclosed in note 46. As assessed by the directors, it is not probable that the banks would claim the Group for losses in respect of the guarantee contracts due to security in place for the mortgage loans as mentioned in 49.4 above. In addition, it is not probable that the subsidiary of the Company would default repayment of bank loan. Accordingly, no provision for the Group's and the Company's obligations under the guarantees has been made. The contractual maturity of these financial guarantees is "on demand".

49.5 Fair value estimation

(a) *Financial instruments carried at fair value*

As at 31 December 2011 and 2010, the Group did not have any financial instruments measured at fair value, accordingly, no analysis on fair value hierarchy is presented.

(b) *Fair values of financial instruments carried at other than fair value*

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortized cost and classified as current assets or current liabilities are not materially different from their fair values due to the short maturity period. For non-current borrowings, their fair values are calculated by discounting their expected future cash flows at market rate.

50. EVENTS AFTER THE REPORTING PERIOD

On 28 February 2012, the directors of the Company recommended an issue of bonus shares ("Additional Bonus Shares") to the shareholders of the Company on the basis of one Additional Bonus Share for every two existing shares in issue on the bonus issue record date. On the basis of 1,521,493,263 ordinary shares in issue as at 31 December 2011, and assuming no further ordinary shares will be issued or repurchased before the bonus issue record date, 760,746,632 Additional Bonus Shares will be issued. Such issue is subject to approval by the shareholders of the Company in the forthcoming annual general meeting. The Additional Bonus Shares will be credited as fully paid by way of capitalization of an amount of HK$7,607,466 which is equal to the total par value of the Additional Bonus Shares standing to the credit of the reserve account of the Company. The Additional Bonus Shares will rank pari passu in all respects with the existing ordinary shares from their date of issue except that they are not entitled to the proposed final dividend for the year ended 31 December 2011. The Additional Bonus Shares which are subject to shareholders' approval are not yet accounted for in the financial statements for the year ended 31 December 2011.

51. PARTICULARS OF SUBSIDIARIES

The particulars of the subsidiaries as at 31 December 2011 are as follows:

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company		Principal activities
				Directly	Indirectly	
China Grand (H.K.) Limited *(note (a))*	Hong Kong	Ordinary	1 share of HK$1	–	100%	Investment holding
China Overseas Grand Oceans Finance (Cayman) Limited *(note (a))*	Cayman Islands	Ordinary	1 share of US$1	100%	–	Fund raising and on-lending
China Overseas Grand Oceans Investments Limited	Hong Kong	Ordinary	1 share of HK$1	100%	–	Investment holding
China Overseas Grand Oceans Property Group Company Limited	PRC^	Paid up capital	RMB133,000,000	–	100%	Investment holding and property development
China Overseas Yin Chuan Investments Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Investment holding
Grand Marine Investment Limited *(note (a))*	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
Han Yang Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
Jet Pacific Investment Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Investment holding
Main Lucky International Limited *(note (a))*	Hong Kong	Ordinary	1 share of HK$1	–	100%	Investment holding
Moonstar Development Limited	Hong Kong	Ordinary	1 share of HK$1	–	100%	Investment holding
Pandue Investments Limited	British Virgin Islands	Ordinary	100 shares of US$1 each	100%	–	Investment holding
Qiangfa Holdings Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
Sharp China Limited	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding

51. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
SLP (China) Pte. Ltd.	Singapore	Ordinary	1,700,000 shares of S$1 each	–	80%	Investment holding
Wan Chang International Limited *(note (a))*	British Virgin Islands	Ordinary	1 share of US$1	–	100%	Investment holding
上海中海宏洋置業有限公司 (formerly known as 上海光大置業發展有限公司)	PRC#	Paid up capital	RMB15,000,000	–	100%	Investment holding
中海宏洋地產（合肥）有限公司 *(note (a))*	PRC^	Paid up capital	RMB300,000,000	–	100%	Property development
中海宏洋地產（銀川）有限公司 *(note (a))*	PRC*	Paid up capital	RMB182,000,000	–	70%	Property development
北京中海宏洋地產有限公司	PRC#	Paid up capital	RMB28,000,000	–	100%	Investment holding and property development
北京中京藝苑房地產開發有限責任公司	PRC#	Paid up capital	RMB30,000,000	–	100%	Property investment and property leasing
北京中順超科房地產開發有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
北京華世柏利房地產開發有限公司	PRC#	Paid up capital	RMB60,000,000	–	80%	Property development
北京快樂城堡購物中心有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property leasing
北京通惠房地產開發有限責任公司 *(note (b))*	PRC#	Paid up capital	RMB100,000,000	–	100%	Property development
光大物業管理有限公司	PRC#	Paid up capital	RMB5,000,000	–	100%	Property management
合肥光大置業有限公司	PRC#	Paid up capital	RMB20,000,000	–	100%	Investment holding
呼和浩特光大環城建設開發有限公司	PRC#	Paid up capital	RMB120,000,000	–	80%	Property development
呼和浩特市中海宏洋地產有限公司	PRC#	Paid up capital	RMB50,000,000	–	100%	Investment holding and property development
呼和浩特市榮城房地產開發有限公司	PRC#	Paid up capital	RMB15,000,000	–	100%	Property development
南寧中海宏洋房地產有限公司 *(note (a))*	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
深圳市建地投資有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Investment holding

51. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
深圳市建禹投資有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Investment holding
廣州中海橡園房地產發展有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
廣州市光大花園房地產開發有限公司 (formerly known as 廣州中海宏洋地產有限公司)	PRC*	Paid up capital	RMB800,000,000	–	100%	Property development
廣州市光大花園物業管理有限公司	PRC#	Paid up capital	RMB3,000,000	–	100%	Property management
廣西光大旅遊投資有限公司	PRC#	Paid up capital	RMB30,000,000	–	94%	Investment holding
廣州新都房地產發展有限公司	PRC#	Paid up capital	RMB10,000,000	–	90%	Property development
蘭州中海宏洋房地產開發有限公司 *(note (a))*	PRC#	Paid up capital	RMB20,000,000	–	100%	Property development
吉林市中海宏洋房地產開發有限公司 *(note (a))*	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development
吉林市怡恒偉業房地產開發有限公司 *(note (c))*	PRC#	Paid up capital	RMB200,000,000	–	70%	Property development
桂林中海宏洋地產有限公司	PRC#	Paid up capital	RMB10,000,000	–	65.8%	Property development
桂林建禹地產有限公司	PRC#	Paid up capital	RMB10,000,000	–	100%	Property development

Notes:

(a) These subsidiaries were newly established during the year ended 31 December 2011.

(b) Previously, 北京通惠房地產開發有限責任公司 was a jointly controlled entity of the Group in which the Group held 44.5% equity interest. During the year ended 31 December 2011, the Group acquired the remaining 55.5% equity interest in 北京通惠房地產開發有限責任公司 and 北京通惠房地產開發有限責任公司 becomes a wholly-owned subsidiary of the Group. Details of the acquisition of the 55.5% equity interest in 北京通惠房地產開發有限責任公司 are set out in note 40(b).

(c) During the year ended 31 December 2011, the Group acquired 70% equity interest in吉林市怡恒偉業房地產開發有限公司 through injection of consideration amounted to RMB140,000,000 (equivalent to approximately HK$168,742,000). Details of the acquisition of 吉林市怡恒偉業房地產開發有限公司 are set out in note 40(a).

^ The companies are incorporated in the PRC as wholly- foreign-owned enterprises.
* The companies are incorporated in the PRC as sino-foreign equity joint ventures.
\# The companies are incorporated in the PRC as limited liability companies.

None of the subsidiaries had any debt securities outstanding during the year.

52. PARTICULARS OF JOINTLY CONTROLLED ENTITIES

The particulars of the jointly controlled entities as at 31 December 2011 are as follows:

Name of jointly controlled entities	Place of incorporation/ operation	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
上海金鶴數碼科技發展有限公司	PRC*	Paid up capital	US$2,400,000	–	65%	Property investment and property leasing
桂林中海國富房地產開發有限公司	PRC#	Paid up capital	RMB8,000,000	–	40%	Investment holding

* The company is incorporated in the PRC as sino-foreign equity joint venture.

\# The company is incorporated in the PRC as limited liability company.

Five Year Financial Summary

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**5,165,720**	3,677,309	2,707,924	2,502,632	3,552,030
Profit before income tax	**3,380,753**	2,013,959	39,071	530,924	741,332
Income tax expense	**(1,575,935)**	(871,042)	(421,221)	(456,518)	(198,787)
Profit/(Loss) for the year	**1,804,818**	1,142,917	(382,150)	74,406	542,545
Profit/(Loss) for the year attributable to:					
Owners of the Company	**1,815,418**	1,001,120	(279,713)	23,563	434,359
Non-controlling interests	**(10,600)**	141,797	(102,437)	50,843	108,186
	1,804,818	1,142,917	(382,150)	74,406	542,545

CONSOLIDATED ASSETS AND LIABILITIES

	At 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**19,682,093**	10,935,727	10,993,512	10,443,673	10,708,389
Total liabilities	**(14,250,063)**	(8,137,448)	(7,662,317)	(6,813,106)	(7,239,500)
	5,432,030	2,798,279	3,331,195	3,630,567	3,468,889
Equity attributable to owners of the Company	**5,146,007**	2,675,414	2,871,643	3,104,013	3,008,655
Non-controlling interests	**286,023**	122,865	459,552	526,554	460,234
	5,432,030	2,798,279	3,331,195	3,630,567	3,468,889

Note: In 2010, the Group Reorganization (defined in note 11 to the financial statements) results in certain businesses of the Group constituting discontinued operations under HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Details about the Group Reorganization and the discontinued operations are included in note 11 to the financial statements.

Particulars of

Major Properties & Property Interests

(A) PROPERTY HELD FOR OWN USE

Name/Location	Category	Approximate GFA (sq.m.)	Attributable Interest	Lease term
Room 05-08, 23F, No.1 building, China Overseas International Center No.28 Pinganlixi Avenue, Xicheng District, Beijing City, the PRC	Office	1,128	100%	Medium

(B) PROPERTY HELD FOR INVESTMENT

Name/Location	Category	Approximate GFA (sq.m.)	Attributable Interest	Lease term
Office units, No.1 building, China Overseas International Center No.28 Pinganlixi Avenue, Xicheng District, Beijing City, the PRC	Office	39, 795	100%	Medium

(C) PROPERTIES HELD AS INVENTORIES

(I) Properties Under Development

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion	Commencement Date	Estimated Completion Date
Lagoon Manor Shahe Town, Changping District, Beijing, the PRC	Residential	281, 300	250,300	80%	62%	2011.04	1st half 2013
Royal East Planning Road, South of the Abundance, East of Fengzhou Road, Sai Han District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Residential	84, 900	225, 100	100%	33%	2010.10	2nd half 2013
The Arch North of Binhe Road, East of Fengzhou Road, Sai Han District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Residential	74, 600	207, 300	100%	26%	2011.03	2nd half 2013
The Oakwood Gongye Road North, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Residential/ Commercial	54, 000	220, 400	100%	99%	2008.09	1st half 2012
International Community (#52 land) North of Liu Pan Mountain Road, East of Jinfeng Sixth Street, Jinfeng District, Yinchuan City, Autonomous Region, the PRC	Residential/ Commercial	242, 100	410, 200	70%	45%	2011.08	1st half 2014
Royal Waterfront No. 121, Jilin Street, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	36, 800	169, 500	100%	30%	2011.06	2nd half 2014
Royal East (Phase D – D2, D4 & D5 house) No. 1 Bin Jiang East Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	11, 900	55, 200	70%	82%	2008.04	2nd half 2012
The Great Hill Jinggang Road, Shushan District, Hefei City, the PRC	Residential	144, 700	399, 200	100%	15%	2011.07	1st half 2014
The Chief Palace No.2 of Northern Ring City, Jiangan Road, Qixing District, Guilin City, GuangXi, the PRC	Residential/ Commercial	64, 310	163, 100	100%	30%	2011.10	2nd half 2013
The Green Peak No.2, Dongzhou Road, Xingning District, Dong Gouling, Nanning, the PRC	Residential/ Commercial	46, 000	183, 100	100%	21%	2011.10	2nd half 2013

(C) PROPERTIES HELD AS INVENTORIES (CONTINUED)

(II) Land Held for Future Development

Name/Location	Intended Usage	Approximate Total Site Area (sq.m.)	Approximate GFA (sq.m.)	Attributable Interest	Stage of Completion
The reserved Land for Beijing Tonghui River Project Jianwai Zhuanchang Hutong, Chaoyang District, Beijing City, the PRC	Residential/ Commercial	10, 100	91, 900	100%	Land under development
Dragon Cove North of Bin He Road, West of Fengzhou Road, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Residential	85, 600	230, 700	100%	Land under development
The Bund North of Yinhe North Road, East of Fu Bilie Road, Saihan District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	72, 900	214, 000	100%	Land under development
Reserved Land at the Guiyang Environment Garden Guiyang Road, Yanshan District, Guilin City, Guangxi Zhuang Autonomous Region, the PRC	Residential	724, 400	184, 900	65.8%	Land under development
International Community South of Jinfeng District, Yinchuan City, the PRC	Residential/ Commercial	1, 108, 900	2, 903, 800	70%	Land under development
The KD3-2 block, Gaoxin District Fushan Road, Gaoxin District, Hefei City, the PRC	Residential	93, 500	150, 800	60%	Land under development
Reserved Land at West South of the Planned Road T591, No. B572 North of the Planned Road, T560-1 Planned Road East, Anning District, Lanzhou, the PRC	Residential/ Commercial	92, 700	385, 700	100%	Land under development

(C) PROPERTIES HELD AS INVENTORIES (CONTINUED)

(III) Properties Held for Sale

Name/Location	Category	Approximate Unsold Saleable gross floor area (sq.m.) (excluding Car Park)	Attributable Interest
Banyan Bay Rongjing Road, Haizhu District, Guangzhou City, Guangdong Province, the PRC	Residential/ Commercial	5, 131	100%
Academic Pavilion Southern College Road, Haidian District, Beijing City, the PRC	Residential	1, 625	100%
Glorious City The South of the South Two Ring Road, Fengzhou Road East, Sai Han District, Hohhot City, Inner Mongolia Autonomous Region, the PRC	Residential/ Commercial	3, 186	100%
Royal East (Phase B, C and D- D1 & D3 house) No. 1 Bin Jiang East Road, Fengman District, Jilin City, Jilin Province, the PRC	Residential/ Commercial	75, 092	70%

(D) PROPERTY HELD UNDER JOINT-CONTROLLED ENTITY

Property Held for Investment

Name/Location	Category	Approximate GFA (sq.m.)	Attributable Interest	Lease Term
China Overseas Jinhe Information Technology Park No. 10, Lane 198, Zhangheng Road, Shanghai Zhangjiang Hi-tech Park, Pudong District, Shanghai City, the PRC	Office/ Car Park	16,381	65%	Medium

Glossary

Board	the board of Directors
CAGR	compound annual growth rate
CPI	consumer price index
CSCEC	中國建築工程總公司 (China State Construction Engineering Corporation), a state-owned corporation organised and existing under the laws of the PRC, which is the holding company of CSCECL
CSCECL	中國建築股份有限公司 (China State Construction & Engineering Corporation Limited), a joint stock company incorporated in the PRC which is an intermediate holding company of COLI
CSCECL Group	CSCECL and its subsidiaries from time to time
Code	Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
COGO	China Overseas Grand Oceans Property Group Co. Ltd., a subsidiary of the Company incorporated in the PRC
COHL	China Overseas Holding Limited, a company incorporated in Hong Kong with limited liability and a controlling shareholder of COLI
COLI	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange (stock code: 688), being a controlling shareholder of the Company
Company	China Overseas Grand Oceans Group Limited (stock code: 81), a company incorporated in Hong Kong with limited liability and whose shares are listed on the Main Board of the Stock Exchange
Directors	the director(s) of the Company
GDP	gross domestic product
GFA	gross floor area
Group	the Company and its subsidiaries from time to time
HKFRSs	Hong Kong Financial Reporting Standards (including all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by HKICPA

HKICPA	Hong Kong Institute of Certified Public Accountants
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
Option Scheme	a share option scheme which is approved by the shareholders of the Company at the annual general meeting held on 11 May 2005 and adopted by the Company for a period of 10 years commencing on the adoption date
PRC	the People's Republic of China
sq. m.	square metre
Saleable GFA	saleable gross floor area
Share(s)	Share(s) of HK$0.01 each in the capital of the Company
SFO	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
Stock Exchange	The Stock Exchange of Hong Kong Limited
US	the United States of America, its territories and possessions, any state of the United States
%	per cent.

Note: This section is not applicable to the section "Independent Auditor's Report" and the consolidated financial statements of the Group set out on pages 38 and 132 of this annual report.

Formula of Financial Information

Cash reserves	Cash and cash equivalents + Restricted cash and deposits
Gross margin	$\dfrac{\text{Gross profit}}{\text{Revenue}}$
Net debts	Total borrowings – Cash reserves
Total gearing	$\dfrac{\text{Total borrowings}}{\text{Equity attributable to owners of the Company}}$
Net gearing	$\dfrac{\text{Net debts}}{\text{Equity attributable to owners of the Company}}$
Net margin	$\dfrac{\text{Profit attributable to owners of the Company}}{\text{Revenue}}$
Quick ratio	$\dfrac{\text{Total current assets – Inventories of properties}}{\text{Total current liabilities}}$
Return on equity	$\dfrac{\text{Profit attributable to owners of the Company}}{\text{Average capital and reserves attributable to owners of the Company*}}$

* the 2010 figure is calculated with the effect of capital reorganization carried out in 2010.

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