廖創興企業有限公司
LIU CHONG HING INVESTMENT LIMITED

Annual Report 2011

Financial Highlights

Business Review and Corporate Governance

Corporate and Shareholders' Information

Financial Report


翠湖绿洲

Having a solid foundation – the key to success and a unique vision, our management team is experienced in exploring and running potential development projects with long-term return at different stages.

Office/Commercial & Industrial

1 Chong Hing Finance Centre, Shanghai

2 Chong Hing Bank Centre

3 Western Harbour Centre

4 Fung Shun Commercial Building

5 Bonsun Industrial Building

Retail

6 Chong Hing Square

7 Chong Yip Shopping Centre

8 The Westwood

Residential

9 The Grand Riviera, Foshan

10 Fairview Court

11 Chatham Gate

Hotel

12 Hanting Express–Shanghai Shang Nan

13 Hanting Hotel–Shanghai Song Jiang Fang Ta

14 Hanting Express–Beijing Da Guan Yuen

15 Hanting Express–Guangzhou Yue Xiu Pan Fu

Hong Kong


Lok Ma Chau
Lo Wu
Sheung Shui
Yuen Long
Tai Po
NEW TERRITORIES
Ma On Shan
Tsuen Wan
Shatin
5
Lai King
Tsing Yi
KOWLOON
Kowloon Tong
6
Tseung Kwan O
4
Mongkok
Hong Kong Disneyland
11
Discovery Bay
Tsim Sha Tsui
Sheung Wan
3
Central
7
Quarry Bay
8
2
Chai Wan
Mui Wo
HONG KONG ISLAND
10

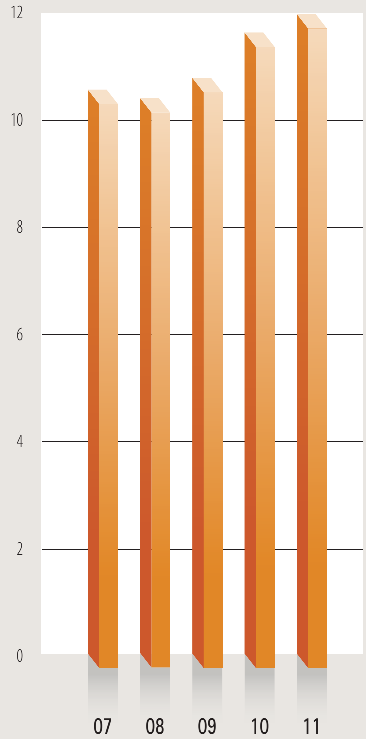
Five-Year Financial Summary

	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
Total assets	10,617,091	10,413,952	10,814,596	11,657,032	**11,995,725**
Total liabilities	4,655,117	4,266,413	4,308,272	4,561,310	**4,298,117**
Total net assets	5,961,974	6,147,539	6,506,324	7,095,722	**7,697,608**
Net assets value per share	HK$15.67	HK$16.14	HK$17.10	HK$18.66	**HK$20.25**
Debt-to-equity ratio*	44%	44%	44%	44%	**36%**
Profit for the year attributable to owners of the Company	263,114	209,326	356,091	507,958	**593,547**
Basic earnings per share	HK$0.69	HK$0.55	HK$0.94	HK$1.34	**HK$1.57**
Dividend per share	HK$0.28	HK$0.15	HK$0.18	HK$0.25	**HK$0.30**
Dividend payout ratio	40%	27%	19%	19%	**19%**

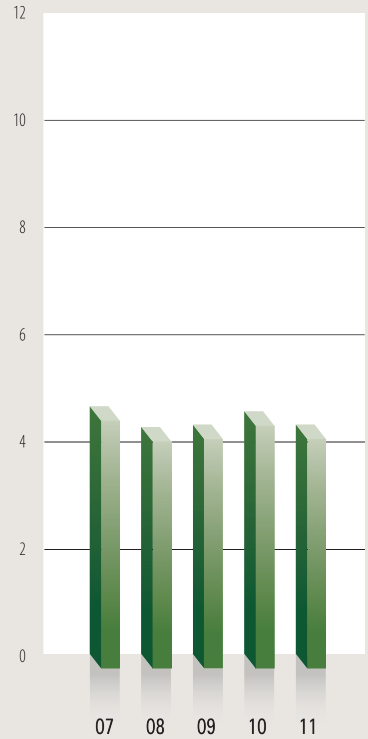
* Debt-to-equity ratio represents bank loans and overdrafts and other long term liabilities, less cash and deposits with banks divided by equity which comprises of shareholders' funds and minority interests.

Five-Year Financial Highlight Charts

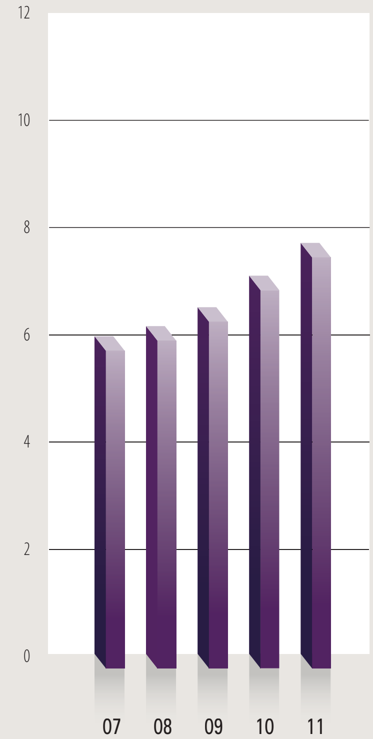
Total Assets
HK$ in Billion



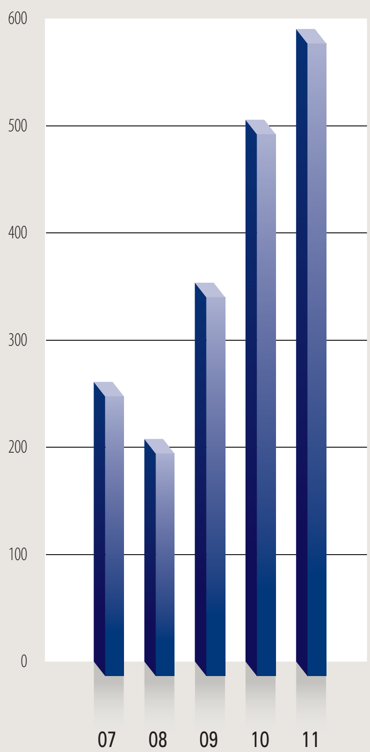
Total Liabilities
HK$ in Billion



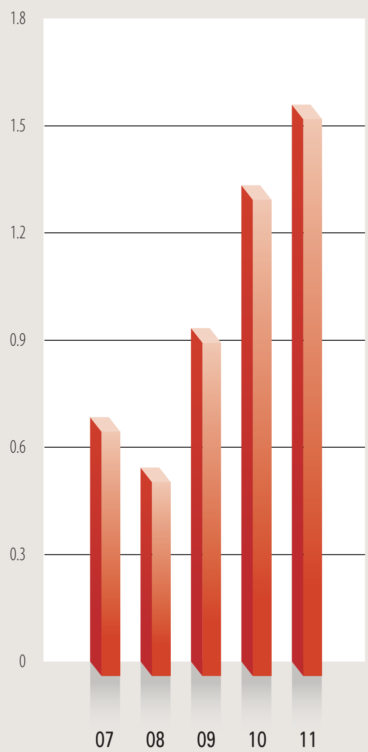
Total Net Assets
HK$ in Billion



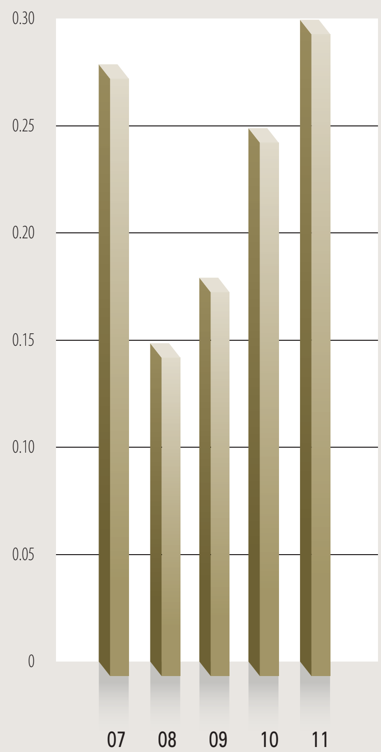
Profit for the Year Attributable to Owners of the Company
HK$ in Million



Basic Earnings per Share
HK$



Dividend per Share
HK$



I am pleased to present to the shareholders the Company's operating results for the year 2011

Dr. Liu Lit Mo LLD, MBE, J.P. Chairman and Managing Director

Dear Shareholders,

I am pleased to present to you a review of the Company's performance as well as my observations on the macro-economic environment for the year 2011.

ECONOMIC REVIEW

2011 was a year of worldwide natural disasters as well as financial and political turmoil. We witnessed the merciless forces of nature that caused the tragic Japan "311" earthquake and tsunami as well as the October earthquake in Turkey, the draughts in East Africa and lower reaches of the Yangtze River in China, the flooding in Thailand, the Libyan conflict and the widespread sustained instability of European economies which also resulted in civil unrest.

Indeed, the sovereign debt crisis in Greece rippled through various European countries, pushing many countries to the brink of bankruptcy and the Eurozone to the edge of disintegration. For the first time since 1917, the United States had lost her highest long-term sovereign credit rating, followed by a series of declines in ratings of European countries such as Spain and Italy. In January 2012, long-term sovereign credit ratings of nine Eurozone countries including France and Austria were downgraded. The credit ratings of various financial institutions were lowered too. The global economy was weak in recovery and it remains to be seen whether the European issues could be contained and resolved so as not to plunge other world economies into the deep end. Against the background of the sluggish global economy, the United States was experiencing moderate recovery. There was improvement in overall labour market conditions and continued growth in household spending, but the unemployment rate remained high and business investment appeared to be increasing at a slower pace. After its first rate-fixing meeting in 2012, the US Federal Reserve Board announced that it would keep the target range for the federal funds rate at 0% to 0.25% and that the policy of low rate is warranted to continue at least through late 2014.

Back at home, the Hong Kong economy began to slow down in the second half of 2011. For 2011 as a whole, leveraging on the internationalization of the Renminbi and the promising prospects for Renminbi businesses in Hong Kong, not to mention the continuing buoyant local consumption demand and tourist spending, gross domestic product grew by 5% in real terms. The local labour market showed improvement following a period of above-trend economic growth, lowering the unemployment rate to 3.3% in the fourth quarter of 2011.

To meet the increasing demand of a sustainable living, the Grand Riviera offers a luxurious, relaxed and healthy living environment for its residents with beautiful scenery and landscape features.

Foshan The Grand Riviera

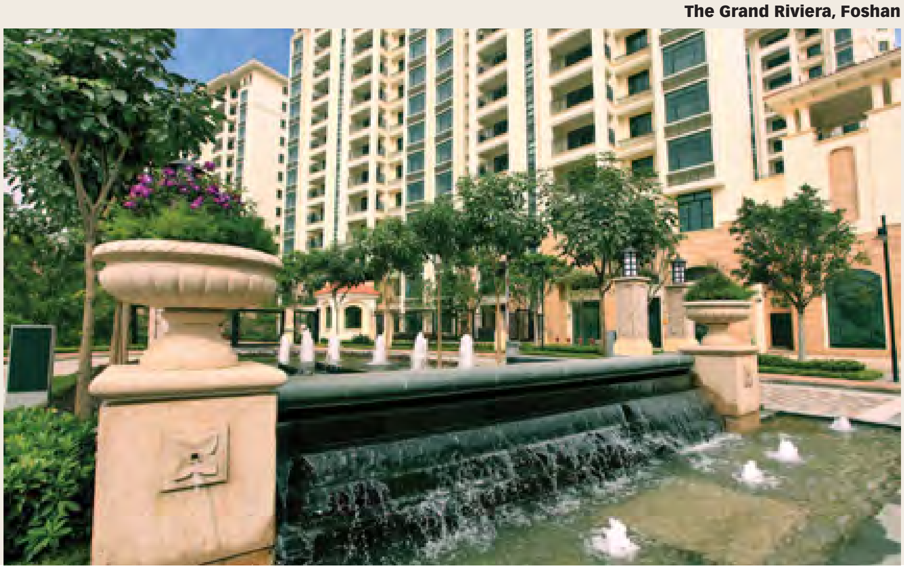
Property market sentiments were dampened during the year as a result of strengthened regulatory measures introduced by the Hong Kong Government such as special stamp duty on residential properties at the point of resale and more stringent mortgage loan terms. The number of annual real estate transactions registrations plunged by over 30% as compared with those in 2010 to around 108,800 cases. On the stock market front, the Hang Seng Index ("HSI") slumped from the height of above 24,000 to about 16,100 in October, the lowest in the past 30 months, and closed at around 18,400 on the last trading day of 2011, having succumbed a fall of nearly 20% over the year. Although the HSI has recovered some 2,000 points during the first two months of 2012, it remains susceptible to many external uncertainties that are left unresolved from the previous year.

Since 2010, curbing inflation has been at the top of the macro-economic agenda for China. The Mainland's inflation rate stood high from January through September before easing substantially in October 2011. Property sales grinded almost to a halt amidst continued enforcement of stringent quota and other restrictions and there were signs of developers lowering property prices in an attempt to boost sales and improve cashflow. There was a clear strain on enterprises as credit remains short within the PRC banking system, and many resorted to the debt market for extra cash. In February 2012, The People's Bank of China lowered the reserve requirement ratio for the second time in three years, cutting the reserve limit of the major banks in the Mainland from 21% to 20.5%. At the Fifth Session of the 11th National People's Congress ("NPC") held earlier in March, Premier Wen announced that the targeted national economic growth for the coming year would be 7.5%, a landmark departure from the 8% target that has been persistently set in previous eight years. All this appears to signify that, whilst continuing to exercise strict anti-inflationary controls (with inflation target set at 4%), the PRC Central Government recognizes that there must be steady and efficient economic development.

BUSINESS RESULTS

For the accounting year ended 31 December 2011, the audited profit attributable to equity holders of the Company amounted to approximately HK$594 million (basic earnings per share: HK$1.57), an increase of approximately 16.8% over the previous year.

The Grand Riviera, Foshan



The Grand Riviera, Foshan

The Board of Directors has proposed to recommend at the forthcoming Annual General Meeting to be held on Wednesday, 9 May 2012, the payment of a final cash dividend of HK$0.18 per share. Together with the interim cash dividend of HK$0.12 per share paid on 29 September 2011, the total cash dividend amounted to HK$0.30 per share for the year 2011.

BUSINESS REVIEW

BANKING BUSINESS

The Company holds a 49.09% shareholding interest in Chong Hing Bank Limited (the "Bank"). The Bank has announced that its audited consolidated profit attributable to shareholders for the year ended 31 December 2011 amounted to HK$559 million, an increase of 17.5% over that for the year before. Total customers' deposits increased 2% to HK$64.8 billion. Total loans to customers (after accounting for impairment allowances) increased 9% to HK$41.3 billion. Total assets increased 4% to HK$77.4 billion. Shareholders' funds (before final dividend), compared with the shareholders' funds for the previous year, increased 4% to HK$6.8 billion. A final dividend of HK$0.35 has been declared and will be paid by the Bank to its shareholders. Details on the Bank's financial results for the year ended 31 December 2011 may be found in its annual report, which is also published on www.chbank.com.

HK PROPERTY BUSINESS

CHONG HING SQUARE

Chong Hing Square maintained a high occupancy rate throughout the year, which stood at 96% as at 31 December 2011. This 20-storey retail/commercial building is located in the heart of Mongkok, Kowloon, and provides 184,000 square feet of retail space and entertainment facilities.

The Grand Riviera, Foshan

The Grand Riviera, Foshan

CHONG YIP SHOPPING CENTRE

With an occupancy rate of 99% as at 31 December 2011, Chong Yip Shopping Centre remains one of the favourite shopping centres in the western part of Hong Kong Island with 45,000 square feet of retail space and entertainment facilities.

WESTERN HARBOUR CENTRE

In 2011, this property maintained a 92% occupancy rate and a steady growth in rental income. This 28-storey full sea-view Grade A office building with a gross floor area of 140,000 square feet is located at Connaught Road West and within close proximity to the Western Harbour Tunnel. Taking advantage of the full seaview element and in order to realize a better gain for the Group, the Board of Directors have resolved to redevelop this property into a residential complex.

FAIRVIEW COURT

This low-rise deluxe apartment block located in Repulse Bay is 80% let and its rental revenue is in line with market conditions.

CHATHAM GATE

Chatham Gate is a redevelopment project undertaken by the original shareholders of The Belcher's, in which the Group holds a 10% equity interest. The project calls for the erection of two blocks of 30-storey residential building on top of a 2-storey commercial complex and carports. Construction of this property in well underway and the pre-sale results have been encouraging.

TAI PO PROJECT

The Group acquired this 240,000 square feet plot of land in Tai Po, New Territories, for long-term investment. Ongoing feasibility studies are being carried out and the Group will implement its development when the opportunity arises.

PRC PROPERTY BUSINESS

CHONG HING PLAZA, GUANGZHOU

Guangzhou Chong Hing Plaza was acquired by the Group as a distressed asset in 2006 and has generated modest but steady rental income under the Group's ownership. Seizing on a good opportunity to realize the investment, this property was sold during the financial year. The Group recorded a gain on disposal of subsidiary of approximately HK$51.3 million and realised gain on change in fair value for an investment property disposed during the year of HK$99.9 million.

CHONG HING FINANCE CENTRE, SHANGHAI

This flagship property of the Group was completed in 2008. Located at 288 Nanjing Road West in Huangpu District of Shanghai, this 36-storey Grade A commercial building commands a strategic location and enviable view over The People's Square just across the street. With a total floor area of over 510,000 square feet of commercial space and 198 carparks, this property was 96% let in terms of office space and 100% let in terms of retail space as at 31 December 2011. The Group has invested more than RMB1.2 billion in this asset and intends to hold it as a long term investment. Total rental revenue generated from this property in 2011 was approximately HK$124 million, representing a year-on-year increase of approximately 18% (including gains from the appreciation of the Renminbi).

The Grand Riviera, Foshan

THE GRAND RIVIERA, FOSHAN

The Grand Riviera is a large-scale development project currently undertaken by the Group. Situated on a 2,756,000 square feet plot of land at 1 Guilong Road, Luocun in the Nanhai District of Foshan, it is conveniently located within half an hour's drive from the Foshan financial district and within an hour's drive from downtown Guangzhou. The project boasts a landscape ratio of more than 40% and adopts a southern French approach to its design. With its unique characteristics which include a 1 km-long car-free "avenue of trees", scenic lakes and landscape features, The Grand Riviera will offer a luxurious, relaxed and healthy living environment for its residents whilst at the same time becoming the new centre of attraction in Foshan. Phase I of The Grand

Showflat of The Grand Riviera, Foshan

Chatham Gate

Western Harbour Centre

Riviera, consisting of 847 residential flat units, about 94,000 square feet of retail space and 1,246 car parking spaces, was completed during the year. Despite the stagnant PRC property market, as at 31 December 2011, 399 flat units have been sold (representing approximately HK$374 million in terms of revenue value) and residents are gradually moving into the property. The leasing of retail units is also underway. It is expected that construction of Phase 2 will commence during 2012.

BUDGET HOTEL PROJECT

The Group has invested in a budget hotel project currently consisting of two budget hotels in Shanghai, one in Guangzhou and another one in Beijing, all of which are operated under the PRC domestic budget hotel chain known as "Hanting". Total revenue recorded in 2011 from such operations was approximately HK$44 million.

PROPERTY MANAGEMENT

Liu Chong Hing Property Management and Agency Limited, established in 1976, is a wholly-owned subsidiary of the Company and is principally responsible for managing certain properties developed by the Group. In recent years, it also expanded its operations to cover third party properties. Its revenue remained stable in 2011.

ECONOMIC OUTLOOK

The continued shortage of funds in the global financial market painted a gloomy 2012 outlook for economies worldwide. All eyes are on Europe and although the situation appears to be controlled for the time being, it waits to be seen whether the debt-stricken countries will be able to honour their commitments and whether the "white knight" countries will one day decide they can no longer salvage the union of the Eurozone. Across the Atlantic, the US is not quite in clear waters yet and the Federal Reserve Board will be closely monitoring the impact of the European debt crisis on the global financial market. For the time being, we expect "Operation Twist" will be continued but fear that its effect will diminish over time. The market needs and anticipates more tangible easing measures to be rolled out to stimulate the economy.

In August 2011, the PRC Ministry of Finance issued the third batch of Renminbi sovereign bonds amounting to Renminbi 20 billion, surpassing the total issued amount in 2009 and 2010 combined. By the end of 2011, exchange arrangements for Foreign Direct Investments and Renminbi Qualified Foreign Institutional Investor ("RQFII") were promulgated, consolidating the link between onshore and offshore Renminbi markets for the orderly circulation and exchange of funds. This marked an important milestone in the development of Hong Kong as an offshore Renminbi business centre. In his speech delivered at the recent

Chong Hing Finance Centre, Shanghai

Fairview Court

Chong Hing Bank Centre

NPC, Premier Wen re-affirmed Hong Kong's role as an offshore Renminbi business centre and further expressed the motherland's continued support towards Hong Kong in tackling its economic challenges. Looking forward, the economy of Hong Kong is expected to be continuously shrouded by uncertainties in the internal and external environments. The PRC Central Government has, however, launched a series of strengthening measures to boost local economic development and consolidate the basis of cross-border collaboration. For example, the Hong Kong Government and the Central Government entered into Supplement VIII to the "Mainland and Hong Kong Closer Economic Partnership Arrangement" in December 2011, thereby creating further Mainland business opportunities for the banking, securities and insurance sectors.

China's economy continues to grow at a formidable rate when other nations are in recession or struggling to recover. Despite having reduced its annual targeted economic growth rate, 7.5% is still a number which will be envied by most nations. With careful planning and determined execution, we believe China will achieve its goals. Premier Wen, in his last NPC address as the head of the PRC Central Government, expressed the need to pursue pro-active economic and stable monetary policies and also re-iterated his steadfast determination to strengthen and enforce controls over the property market in a focused and effective manner. We therefore expect the PRC residential property market to remain difficult in the year ahead but will see this as an opportunity for reconsolidation and positioning for the future.

Finally, by the time this annual report is published, the winner of the race for Hong Kong's top job (and perhaps the most difficult one under current circumstances) should, in the ordinary course of things, have emerged. The third Chief Executive of Hong Kong will have a bumpy road ahead, as not only will he/she need to tackle the intrinsic and externally-induced economic challenges but also the increasingly complicated social and political issues that continue to haunt the local administration. Whoever the winner may be, we hope the new administration will learn from our better leaders and demonstrate the necessary leadership and determination to steer Hong Kong into the light.

SINCERE ACKNOWLEDGEMENTS

I would like to express my heartfelt thanks to stakeholders and shareholders for their continued trust and support, to all my fellow directors for their wise stewardship, and to our senior management and staff for their commitment and dedication.

Dr. Liu Lit Mo

Chairman and Managing Director

Hong Kong, 7 March 2012

Located in the bustling business district of
Shanghai with a convenient transportation network,
Chong Hing Finance Centre offers high quality lettable office,
commercial and retail space.
Its rental revenue in 2011 has gained satisfactory increment.

Shanghai Chong Hing Finance Centre

The Board of Directors of Liu Chong Hing Investment Limited (the "Directors") has pleasure in presenting to the Shareholders their annual report together with the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company are property investment and investment holding. The principal activities of the principal subsidiaries and associates are shown in notes 46 and 47 to the financial statements respectively.

RESULTS AND STATE OF AFFAIRS

The results of the group for the year ended 31 December 2011 and the state of the Company's and the group's affairs at that date are set out on pages 72 to 144 of this annual report.

DIVIDENDS

An interim cash dividend of HK$0.12 per share was paid to shareholders on 29 September 2011. The Directors recommend a final cash dividend of HK$0.18 per share making a total cash dividend of HK$0.30 per share for the year.

RESERVES

Movements in reserves of the group during the year are set out in Consolidated Statement of Changes in Equity and the movements in reserves of the Company during the year are set out in note 37 to the financial statements.

The Company's reserves available for distribution to shareholders as at 31 December 2011 comprised the accumulated profits of HK$1,853,507,000 (2010: HK$1,799,293,000).

INVESTMENT PROPERTIES/ASSETS HELD FOR SALE

Movements in investment properties and assets held for sale during the year are set out in notes 17 and 31 respectively to the financial statements.

Chong Hing Finance Centre, Shanghai

Chong Hing Square

PROPERTY, PLANT AND EQUIPMENT

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

PROPERTIES UNDER DEVELOPMENT FOR SALE/PROPERTIES HELD FOR SALE

Movements in properties under development for sale/properties held for sale during the year are set out in note 19 to the financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 36 to the financial statements.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 25 April 2002, which replace the previous share option scheme, for the primary purpose of providing incentives to directors and eligible employees, and will expire on 24 April 2012. Under the Scheme, the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside eligible third parties at the discretion of the Board of Directors.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options may be exercised at any time from the date of grant of the share option to the 5th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the Company's share on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant, or the closing price of the shares on the date of grant.

No options have been granted under the above mentioned scheme since the Scheme was adopted.

SUBSIDIARIES AND ASSOCIATES

Particulars relating to the subsidiaries and associates are set out in notes 46 and 47 to the financial statements respectively.

GROUP BORROWINGS AND INTEREST CAPITALISED

Details of bank loans and other borrowings repayable within five years are set out in note 33 to the financial statements.

The group's interest capitalised during the year amounted to HK$10,614,000 (2010: HK$9,266,000).

BOARD OF DIRECTORS

The Directors of the Company during the year and up to the date of this report are shown on page 52 of this annual report.

The term of office of each director, who has been longest in office, shall retire by rotation and offer themselves for reelection in accordance with the Company's Articles of Association.

Dr. Cheng Mo Chi, Moses, Mr. Liu Chun Ning, Wilfred, Mr. Liu Kam Fai, Winston and Mr. Liu Kwun Shing, Christopher shall retire by rotation in accordance with Articles 92 and 99 of the Company's Articles of Association and, being eligible, offer themselves for reelection.

The biographical details of directors and senior management are set out on pages 55 to 60.

The Company has received from each Independent Non-executive Director an annual confirmation of his independent pursuant to rule 3.13 of the Listing Rules and the Company considered all Independent Non-executive Director are independent.

CORPORATE GOVERNANCE

The Company is committed to achieve a high standard of corporate governance practices and has substantially complied with the Code on Corporate Governance Practices, as required under Appendix 14 of the Listing Rules. Guidelines and procedures for corporate governance of the Company are set out on pages 38 to 51.

The Westwood

Chong Yip Shopping Centre

COMPLIANCE OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

All directors have confirmed that they complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules throughout the review period.

DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2011, the long/short positions of each of the directors and chief executives and their associates in the shares and underlying shares of the Company or any of the Company's associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of Part XV of the SFO, are set out below:

(I) LONG POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

(A) THE COMPANY

Liu Chong Hing Investment Limited

	Number of ordinary shares held				
Name of Director	**Personal interests (held as beneficial owner)**	**Family interests (interests of spouse or child under 18)**	**Corporate interests (interests of controlled corporation)**	**Total interests**	**Total interests as approximate % of the relevant issued share capital**
Dr. Liu Lit Mo, *Chairman and Managing Director*	4,580,000	—	171,840,189 *(Notes 1 and 2)*	176,420,189	46.60%
Mr. Liu Lit Chi	141,668	—	210,963,253 *(Notes 1 and 3)*	211,104,921	55.76%
Dr. Liu Lit Chung	—	—	165,840,189 *(Note 1)*	165,840,189	43.81%
Mr. Andrew Liu	3,479,905	—	—	3,479,905	0.92%
Mr. Ng Ping Kin, Peter	20,000	—	—	20,000	0.01%

Notes:

1. 165,840,189 shares in the Company are beneficially held by Liu's Holdings Limited, of which Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung are amongst its shareholders. The above numbers of shares are duplicated under the corporate interests for each of these directors.
2. Eternal Wealth Limited, of which Dr. Liu Lit Mo and his associates are shareholders, beneficially holds 6,000,000 shares in the Company, and thus is included in the corporate interests of Dr. Liu Lit Mo.
3. Alba Holdings Limited, of which Mr. Liu Lit Chi and his associates are shareholders, beneficially holds 45,123,064 shares in the Company, and thus is included in the corporate interests of Mr. Liu Lit Chi.

(B) ASSOCIATE

Chong Hing Bank Limited (the "Bank")

Name of Director	Number of ordinary shares held Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	Total interests	Total interests as approximate % of the relevant issued share capital
Dr. Liu Lit Mo, *Chairman*	1,009,650	—	253,543,628 *(Note 1)*	254,553,278	58.52%
Mr. Liu Lit Chi, *Managing Director & Chief Executive Officer*	313,248	—	255,806,839 *(Notes 1 and 2)*	256,120,087	58.88%
Mr. Andrew Liu	177,000	—	—	177,000	0.04%

Notes:

1. The corporate interests in 253,543,628 shares are attributed as follows:

   (i) 213,543,628 shares held by the Company's wholly-owned subsidiary, Liu Chong Hing Estate Company, Limited ("Liu Chong Hing Estate"), in which each of Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung is deemed under the SFO to be interested through Liu's Holdings Limited, a private company holding approximately 43.81% of the Company's issued and fully-paid share capital; and

   (ii) 40,000,000 shares held by The Bank of Tokyo-Mitsubishi UFJ, Limited ("BTMU"). Pursuant to an agreement in 1994, BTMU has granted an option to Liu Chong Hing Estate exercisable at any time during the term of that agreement to purchase all such shares and BTMU is required to offer to sell all such shares to Liu Chong Hing Estate in certain circumstances. By virtue of the interests of Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung in Liu Chong Hing Estate through Liu's Holdings Limited, each of them is deemed under the SFO to be interested in such shares.

2. 2,263,211 shares are held by Alba Holdings Limited, shareholders of which include Mr. Liu Lit Chi and his associates. Accordingly, Mr. Liu Lit Chi is deemed under the SFO to be interested in such shares.

(II) SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Other than as stated above, as at 31 December 2011, no director, chief executive nor their associates of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares or the underlying shares of equity derivatives of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2011, the following person (other than the directors or the chief executives of the Company), had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO or as otherwise notified to the Company was as follows:

Name of Substantial Shareholder	Capacity	No. of ordinary shares held	% of the issued share capital
Liu's Holdings Limited	Beneficial owner	165,840,189 *(Note 1)*	43.81%
Alba Holdings Limited	Beneficial owner	45,123,064 *(Note 2)*	11.92%

All interests disclosed above represent long positions in the shares of the Company.

Notes:

1. Liu's Holdings Limited, a private company incorporated in Hong Kong, of which Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung are amongst its shareholders. Such corporate interests are also disclosed in the sub-section under "Directors' interests in Share Capital of the Company and its Associated Corporations".

2. Alba Holdings Limited, a private company incorporated in Hong Kong, is owned by Mr. Liu Lit Chi and his associates. Such corporate interests are also disclosed in the sub-section under "Directors' interests in Share Capital of the Company and its Associated Corporations".

Save as disclosed above, the Company had not been notified by any person (other than the directors or chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company of 5% or more as at 31 December 2011 which were required to be disclosed to the Company under Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 44 to the Financial Statements, "Connected and Related Party Disclosures", no contracts of significance in relation to the group's business, to which the Company or any of the Company's subsidiaries was a party and in which a director of the Company had, whether directly or indirectly, a material interest, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company or any of the Company's subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares, or debentures of, the Company or any other body corporate.

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

CONNECTED AND RELATED PARTY TRANSACTIONS

(I) RELATED PARTY TRANSACTIONS

The related party transactions between the group and the Bank and its subsidiaries (the "Bank group") during the year are described as follows:

(a) The Bank group handled routine banking transactions for the group. Services provided by the Bank are cheque clearing, current, savings and deposit accounts, remittances and other banking facilities.

(b) The Bank group provided securities and futures brokerage, nominee, data processing services, insurance agency and underwriting services to members of the group under normal commercial terms.

(c) The Bank group leased several floors of Western Harbour Centre from the Company.

(d) The Company through Liu Chong Hing Property Management and Agency Limited, a wholly-owned subsidiary, has provided property management, property consultant and property maintenance services to the Bank group.

Dr. Liu Lit Mo, Mr. Liu Lit Chi, Dr. Liu Lit Chung, Mr. Andrew Liu and Mr. Ng Ping Kin, Peter are interested, directly or indirectly, in the respective share capitals of the Company and/or the Bank.

(II) CONNECTED PARTY TRANSACTIONS

In March 2012, the Company entered into a lease agreement with the landlord, a company wholly owned by Dr. Liu Lit Mo, chairman and managing director, and his spouse. The Company leased the property for a monthly rent of HK$400,000 with retrospective effect from 1 January 2012 for a term of two years. For the year ended 31 December 2011, the aggregate rent paid by the Company amounted to HK$4,500,000.

The Company also entered into a lease agreement with Dr. Liu Lit Chung, our non-executive director. Dr. Liu leased the property for a monthly rent of HK$75,000 and the lease was renewed with the same term, effective from 1 March 2012, for another two years ending on 28 February 2014. For the year ended 31 December 2011, the aggregate rent paid by the Company amounted to HK$900,000.

In March 2011, the Company entered into a service agreement with K.A. Kho & Associates for its architectural and consultancy services provided to the Company. Mr. Kho Eng Tjoan, Christopher, our non-executive director, is the sole director and the sole shareholder of K.A. Kho & Associates. For the year ended 31 December 2011, the aggregate service fee paid by the Company amounted to HK$1,009,970.

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 his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions, details of which are also disclosed by the Group in note 44 to the financial statements, in accordance with Main Board Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

In the opinion of the directors who do not have any interest, whether directly or indirectly, in the above transactions, the transactions were conducted in the ordinary course of business of the group on normal commercial terms.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the group's purchases attributable to the group's five largest suppliers and the group's turnover attributable to the group's five largest customers were less than 30% respectively. None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) has any interest in the group's five largest suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2011, the Company and its subsidiaries have not purchased, sold or redeemed any of the shares in the Company.

SHAREHOLDINGS INFORMATION

TOP 10 LARGEST SHAREHOLDERS

According to the register of members of the Company as at 31 December 2011, the top 10 largest shareholders are as follows:

	Name of Shareholder	Number of Shares held	%
1.	Chong Hing (Nominees) Ltd.	168,093,892	44.40
2.	HKSCC Nominees Limited	120,583,984	31.85
3.	Alba Holdings Ltd.	35,000,222	9.25
4.	BTMU Nominees (HK) Ltd.	10,000,000	2.64
5.	Leung Hok Pang	8,396,000	2.22
6.	Win Ever (Nominees) Ltd.	8,000,000	2.11
7.	To Man Tuen	2,238,000	0.59
8.	Wragg Ltd.	2,228,000	0.59
9.	Cheng Kee Hong	1,650,000	0.44
10.	Cheng Kee Man	1,100,000	0.29
	Total	**357,290,098**	**94.38**

LOCATION OF SHAREHOLDERS

According to the register of members of the Company as at 31 December 2011, the location of shareholders are as follows:

Location of Shareholders	Number of Shares held	%
Hong Kong	378,515,140	99.9820
China and South East Asia	42,060	0.0111
Europe	800	0.0002
US and Canada	16,860	0.0044
Others	8,580	0.0023
Total	**378,583,440**	**100**

SUFFICIENCY OF PUBLIC FLOAT

The group has maintained a sufficient public float throughout the year ended 31 December 2011.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Companies Ordinance requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the group as at the end of the financial year and of their respective profit or loss for the year then ended. In preparing the financial statements, the directors are required to select suitable accounting policies and apply them on a consistent basis, making judgments and estimates that are prudent, fair and reasonable; state the reasons for any significant departure from accounting standards; prepare the financial statements on the going concern basis, unless it is not appropriate to presume that the Company and the group will continue in business for the foreseeable future.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the group and taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDIT COMMITTEE

The members of the Audit Committee are shown on page 52. The principal duties of the Audit Committee are reviewing the internal controls and the financial reporting requirements of the group. The Audit Committee meeting will normally hold twice of each financial year immediate before the board of directors meeting for approving the interim and final results. The Committee is satisfied with the Company's internal control procedures and the financial reporting disclosures.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has substantially complied throughout the year ended 31 December 2011 with those paragraphs of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with which it is required to report compliance.

AUDITORS

The financial statements for the year have been audited by Messrs. Deloitte Touche Tohmatsu who have expressed their willingness to continue in office. Accordingly, a resolution will be submitted to the forthcoming annual general meeting to reappoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

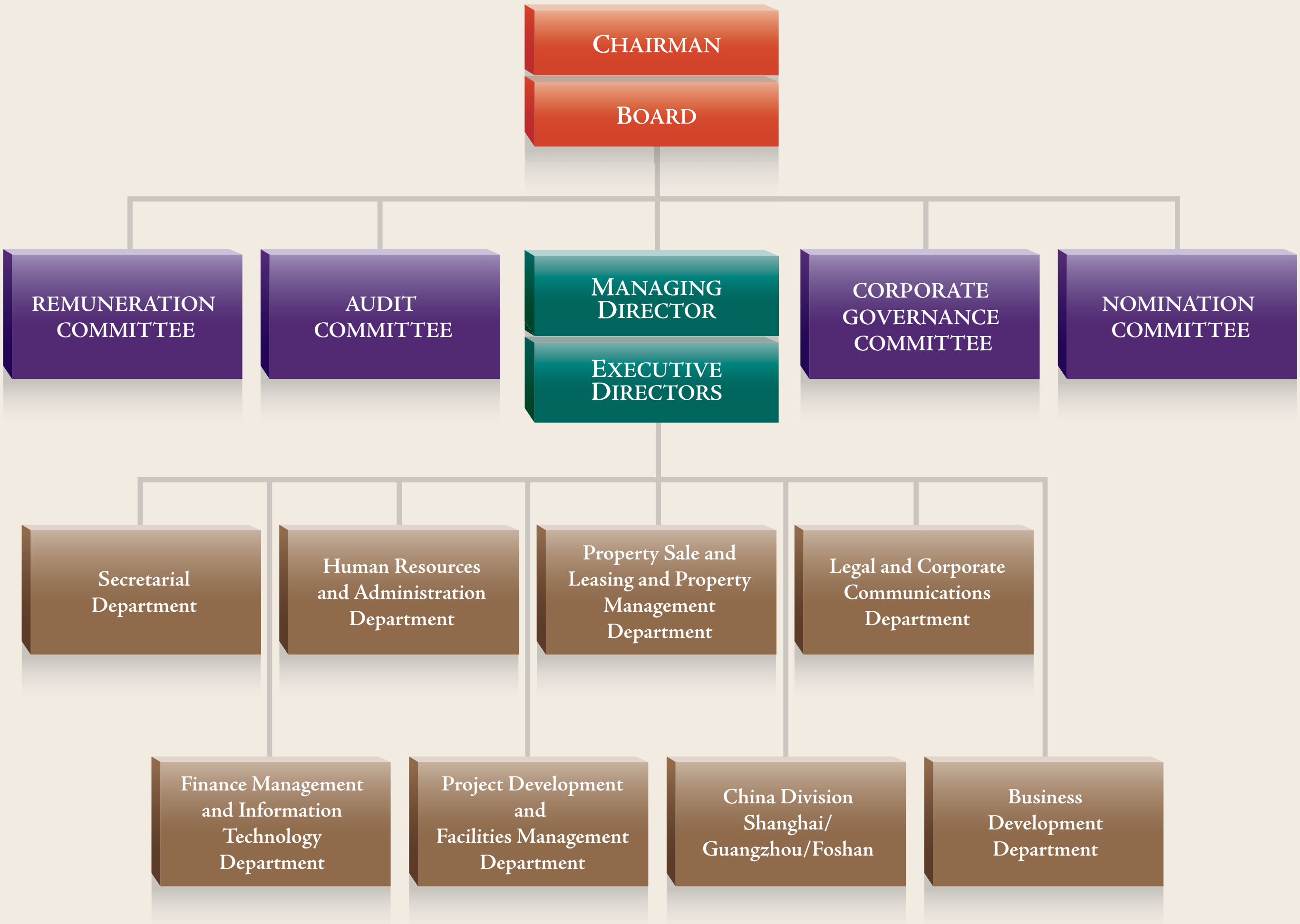
On behalf of the Board

Dr. Liu Lit Mo

Chairman and Managing Director

Hong Kong, 7 March 2012

Liu Chong Hing Investment Limited Simplified Organization Chart



Remuneration Committee Report

The Remuneration Committee ("RC") consists of four members, a majority of whom are Independent Non-executive Directors of the Company.

The main duty of the Committee is to formulate the Company's remuneration policy as well as to determine and/or make recommendation to the Board with regard to the structure of remuneration packages for all directors and senior management. When necessary and appropriate, the Chairman and Managing Director are consulted on such issues.

The RC discharge its responsibilities by reference to the terms of reference which setting out their roles, responsibilities and duties. The terms of reference were duly authorized by the Board.

The RC, having consulted with the Chairman of the Board, had reviewed and discussed the following issues at its meeting:

- To review the company's policy, structure and the remunerations packages for all directors and senior management;
- To determine and/or make recommendation to the Board of the Directors' fees and other allowance for the year 2012;
- To review and approve the annual performance bonus and its policy; and
- To review the new share option scheme.

The RC is accountable to the Board and minutes of the meeting are circulated to the Board for information.

The RC meets when required but at least once per year.

Members of the Remuneration Committee

Dr. Cheng Mo Chi, Moses *(Chairman)*

Mr. Ng Ping Kin, Peter

Mr. Tong Tsin Ka

Mr. Kho Eng Tjoan, Christopher

Hong Kong, 6 March 2012

Audit Committee Report

The Audit Committee is made up of four members, a majority of whom are Independent Non-executive Directors of the Company.

The Committee oversees the financial reporting system and internal control procedures. In this process, management is principally responsible for the preparation of group financial statements including the selection of suitable accounting policies. External auditors are responsible for auditing and attesting to group financial statements and will report to the management of the Company from time to time on any weakness in controls which come to their attention. The Audit Committee oversees the respective work of management and external auditors to ensure the management has discharged its duty to have an effective internal control procedures.

The Audit Committee had performed the works were as follows:

- To review the audited financial statements of the Company for the year ended 31 December 2011;
- To review the interim results of the Company for the six months ended 30 June 2011;
- To review and monitor the external auditors' independence;
- To review the system of internal control of the Company;
- To review the audit plan and the engagement from external auditors;
- To make recommendation on the reappointment of external auditors; and
- To review the sufficiency of manpower resources of account and finance team of the group in order to carry out the duties.

It was reported that no major internal control weakness was found and all the recommendations previously suggested by auditors were agreed and implemented by the management in 2011.

Based on these review and discussions, and the report of the external auditors, the Audit Committee recommended to the Board of Directors approval of the consolidated financial statements for the year ended 31 December 2011 with the Auditors' Report thereon.

The Committee recommended to the Board that the shareholders be asked to re-appoint Deloitte Touche Tohmatsu as the Company's external auditors for 2012.

Members of the Audit Committee

Mr. Tong Tsin Ka *(Chairman)*

Mr. Ng Ping Kin, Peter

Dr. Cheng Mo Chi, Moses

Mr. Kho Eng Tjoan, Christopher

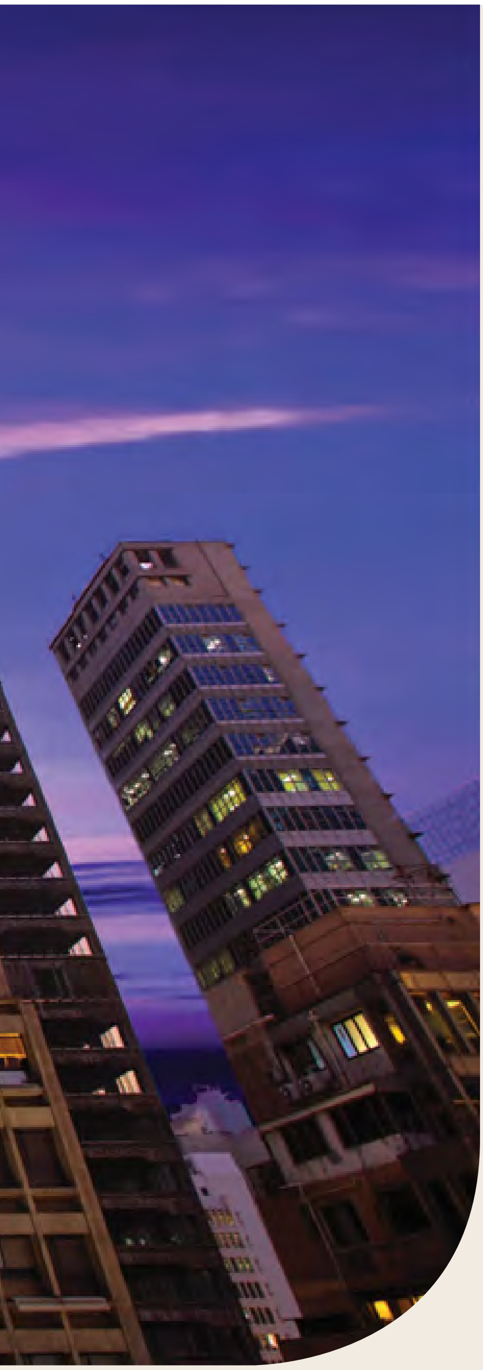
Hong Kong, 6 March 2012

Summary of Financial Highlights

	2011 HK$'000	2010 HK$'000	Change %
Revenue	**725,093**	337,995	115
Profit for the year attributable to owners of the Company	**593,547**	507,958	17
Basic earnings per share	**HK$1.57**	HK$1.34	17
Dividend per share			
Interim	**HK$0.12**	HK$0.10	20
Final	**HK$0.18**	HK$0.15	20
Total	**HK$0.30**	HK$0.25	20
Dividend payout ratio	**19%**	19%	—
Net assets value per share	**HK$20.25**	HK$18.66	9

As an ultra-modern building located in Central, Hong Kong, Chong Hing Bank Centre not only serves as the headquarters of the Group and Chong Hing Bank but also the symbol of good quality services provided by the Group

Hong Kong Chong Hing Bank Centre



The Directors of Liu Chong Hing Investment Limited (the "Company") announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

BANKING OPERATION

For the year ended 2011, the Group's banking associate, Chong Hing Bank Limited (the "Bank"), reported a profit after taxation of HK$559 million, representing an increase of 17.5% over that in 2010. In effect, the Bank's profit after taxation shared by the Group was increased by HK$44 million to HK$275 million.

PROPERTY INVESTMENT

OVERALL RESULTS

For the year ended 2011, the Group's rental revenue increased by HK$16 million, representing approximately 6% increase, to HK$263 million as compared to that of 2010. The increase was attributable to the improvement of rental income mainly from Shanghai Chong Hing Finance Centre and Chong Hing Square.

Overall occupancy of the Group's Investment properties was successfully remained at 95% as at 31 December 2011.

HONG KONG PROPERTIES

CHONG HING SQUARE

Chong Hing Square, a 20-storey popular ginza-type retail/commercial development situated in the heart of Mongkok, Kowloon, offers 184,000 square feet of retail and recreational space. For the year 2011, the rental revenue of this building had recorded 14% increase with 96% occupancy achieved as at year end.

Due to the realignment of the tenant mix, the Group had successfully entered into leases with some famous retailers including Chow Tai Fook (a jewellery retailer) and Halewinner (a watch retailer), the management expected that with all these leases in force, overall rental revenue of this building would be further increased by 11% in the year of 2012.

Chong Hing Bank Centre

CHONG YIP SHOPPING CENTRE

Chong Yip Shopping Centre is located at 402–404 Des Voeux Road West, it provides 45,000 square feet of retail and commercial space. For the year of 2011, this 2-storey shopping mall maintained 99% occupancy with stable rental revenue.

WESTERN HARBOUR CENTRE

Western Harbour Centre, a 28-storey grade-A office building, located at 181–183 Connaught Road West, Hong Kong, close proximity to the Western Harbour Tunnel, provides over 140,000 square feet of lettable office spaces. This office building continued to maintain higher occupancy of over 92% with stable rental revenue. The Group intends to convert or redevelop this property for residential use.

FAIRVIEW COURT

Fairview Court, located at 94 Repulse Bay Road, with 5 unit of luxury low-rise apartment recorded 80% occupancy and stable rental revenue.

PRC PROPERTIES

CHONG HING FINANCE CENTRE, SHANGHAI

Shanghai Chong Hing Finance Centre is located at 288, Nanjing Road West, Huang Pu District, Shanghai. This 36-storey grade-A office/commercial building, completed in 2008, provides over 510,000 square feet of commercial space and 198 car park spaces for lease. For the year of 2011, the rental revenue generated from this building was increased further to HK$124 million. The Group intends to retain this property for long-term rental purpose. Total investment in this project is about RMB1.2 billion. The Group owns 95% of this property and the remaining 5% is owned by a subsidiary of the Municipal Government of Huang Pu District, Shanghai.

Clubhouse and facilities of The Grand Riviera, Foshan

Chong Hing Square Marketing Events

DISPOSAL OF CHONG HING PLAZA, GUANGZHOU

On 23 May 2011, the group entered into a Sale and Purchase Agreement with an independent third party for selling the share capital of Prime Ocean Development Limited ("Prime Ocean") at cash consideration of RMB350 million (or approximately HK$418.7 million). Prime Ocean was an investment holding company and its main asset was holding Guangzhou Chong Hing Plaza. The transaction was completed and the cash consideration was fully received by the group. After the completion of the disposal, the group recorded a gain on disposal of subsidiary of approximately HK$51.3 million and realised gain on change in fair value for an investment property disposed during the year of HK$99.9 million. The sale proceeds received by the group was for general working capital purpose.

PROPERTY DEVELOPMENT

HONG KONG

TAI PO, NEW TERRITORIES

The Group had acquired a 240,000 square feet plot of land in Tai Po, New Territories. Initial studies for rezoning has begun and the Group intends to seek eventual conversion of this land for future residential use.

CHATHAM GATE

Chatham Gate, a redevelopment project, comprises two 30-storey residential blocks above a commercial podium. The Group owns 10% interests in the project. Pre-sale of the residential units has commenced and the result is satisfactory.

PRC

THE GRAND RIVIERA, FOSHAN

In 2007, the Group acquired a plot of land with site area of over 2,756,000 square feet in Foshan through government land auction at a cash consideration of RMB476 million. This is a

Lobby of Hanting Express — Shanghai Shang Nan

Hanting Express — Guangzhou Yue Xiu Pan Fu

comprehensive development and will be developed by phases. The first phase development comprises 12 blocks of 6–15 storey high class residential flat above the ground. A total of 847 residential flat units with sizes ranging from 55 square metres to 400 square metres are provided. It also provides retail and commercial areas of approximately 8,600 square metres and a stand-alone clubhouse of approximately 6,800 square metres, if including other recreational facilities areas and 1,246 car parking spaces mainly built at the basement level, the total construction areas are over 181,000 square metres.

The first phase development was completed in 2011 and the construction completion certificate was also obtained in December 2011. As at the year ended 2011, a total of 399 residential flat units, representing 47.1% out of the total units, were successfully sold out fetching cash proceeds of approximately HK$374 million.

The management believed that the tightening policy promulgated by the central government would be continued in the years ahead. Various measures including the restriction on purchase second and/or third flat units have stalled further selling at this time. However, the management had confident to the project given the overwhelming market recognition to the property in terms of the building quality and design.

BUDGET HOTEL PROJECT

In view of the China's fast growing hospitality industry and strong demand for affordable hotel accommodation, the Group had started the budget hotel business since 2008. The Group currently has two hotels in Shanghai, one in Beijing, and one in Guangzhou. Despite of the seasonal factor, each of the hotels had maintained its business and occupancy similar to that of last year.

CAPITAL STRUCTURE

The Group's shareholders' funds as at 31 December 2011 amounted to HK$7,665 million, representing an increase of HK$601 million as compared to that as at 31 December 2010. The increase in shareholders' funds was attributed to the Group's net profit for the year of HK$591 million and net increase of various investment and revaluation reserves of HK$112 million during the year, less payment of final dividend for 2010 and interim dividend for 2011 totalling HK$102 million.

FINANCE AND TREASURY OPERATIONS

BANK BORROWINGS MOVEMENT

As at 31 December 2011, the Group's net borrowings after deducting cash and deposits has decreased from HK$3,092 million to HK$2,802 million.

CHANGE OF CASH FLOW

The Group's cash flow position has improved in 2011. The improvement was mainly due to the cash rental revenue from the Group's investment properties as well as cash sale proceeds from The Grand Riviera, Foshan.

Total annual rental revenue received was HK$263 million. Cash proceeds from the sale of The Grand Riviera, Foshan was HK$374 million.

MAJOR CAPITAL EXPENDITURE

The management is well aware that a higher gearing level will not only undermine the Company's long-term stability but also restrict its flexibility for any new business venture. The management had determined to closely monitoring the gearing. At the year ended, the debt-to-equity ratio has reduced from 44% as in 2010 to 36% in 2011.

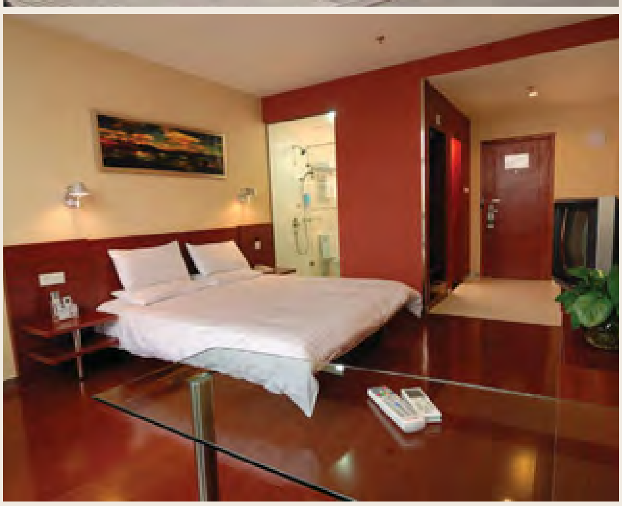
BANKING FACILITIES

The total outstanding bank borrowings as at 31 December 2011 was 81% unsecured with almost 100% being on committed basis.

In managing the debt portfolio, the Group has endeavoured to maintain diversified sources to obtain the required funding. Currently, the major source of financing is still coming from the banking sector, in which the Group has bilateral banking facilities with over 13 banks, most of which have established long relationship with the Group.

Hanting Express — Shanghai Shang Nan

Hanting Express — Guangzhou Yue Xiu Pan Fu



Hanting Hotel — Shanghai Song Jiang Fang Ta

Hanting Express — Beijing Da Guan Yuen

The Group has also raised funding from arranging syndicated loans in the past. The management will consider to widen the funding source from capital market if both of the market conditions and terms are favourable to the Company.

COST OF FUNDING

In 2011, the net borrowing margins in the money market were increased continuously.

The Group's weighted average cost of borrowing was increased slightly during the year. The management expected that the cost of funding incurred for renewing of banking facilities would be increased gradually as most banks would charge a higher interest rate to protect their business risk.

LIQUIDITY RISK AND CASH BALANCES

It is the Group's financial policy to maintain low leverage and high liquidity. To maintain sufficient liquidity will not only help the Group to fulfill all short term payment obligations but also to improve the Group's working capital.

Liquidity mainly comes from recurring rental income of various investment properties, cash sale proceeds from various completed and uncompleted development projects, dividend from Chong Hing Bank and committed banking facilities. The Group's undrawn committed facilities stood at HK$789 million as at 31 December 2011. Together with bank deposits of HK$629 million, the Group has available funding of over HK$1,418 million.

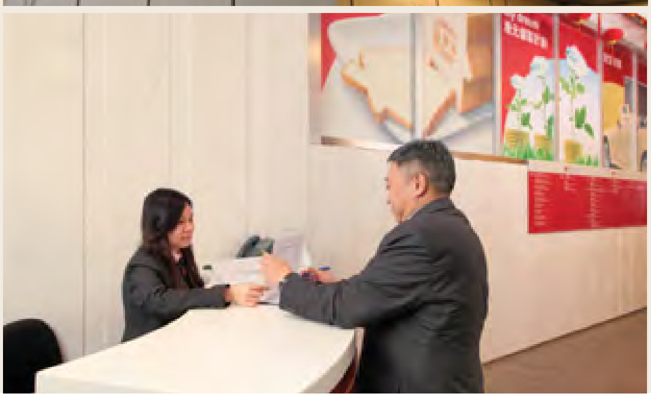
LOAN MATURITY ANALYSIS

Liquidity risk could be further reduced by extending the loan tenors. The Group's debt maturity portfolio is spread out over a medium term, with more than 21% of debts becoming due within 2 years, and 41% of debts becoming due over 2 but within 5 years respectively. Such a maturity structure allows the Group taking more flexibility on refinancing measures.

RISK MANAGEMENT

In managing interest rate and foreign exchange exposures, the Group may use certain derivative instruments such as interest rate swaps, cross currency swaps, forward rate agreements and

Property Management and Maintenance Services



2011 International ARC Awards – Bronze Winner

Caring company presentation

foreign exchange contracts. It is the Group's policy to allow using derivatives as hedging purposes only.

With respect to the counterparty risk of the derivatives, the Group transacts only with financial institutions with strong investment-grade ratings.

INTEREST RATE EXPOSURE

The volatility and uncertainty of the movement of interest rate may result in a potential negative impact to the Group's financial position. Given that, the management will actively involve and review the movement of interest rate so as to minimize the financial impact.

FOREIGN EXCHANGE EXPOSURE

It is the Group's policy to minimize mismatch in currency and not to speculate in currency movement. During this year, a total amount of HK$104 million was converted into Renminbi, mainly for paying construction costs in Foshan project.

As at year ended 31 December 2011, other foreign exchange exposure related to some major investments in Guangzhou, Shanghai and Foshan projects which altogether amounted to the equivalent of about HK$4,190 million or 35% of the Group's assets.

The Management has been closely monitoring the currency movement of Renminbi as mainland property investment and development projects denominated in Renminbi placed a significant portion to the Group's total assets. However, cash revenue received from Shanghai Chong Hing Finance Centre, Budget Hotel Projects and cash sales proceeds from Foshan could eliminate part of the foreign currency exposure against the payment of construction costs in Foshan project.

EMPLOYEE AND EMOLUMENT POLICY

As at 31 December 2011, the total numbers of employee of the Group was about 230. The Group's remuneration policy, having been advised and determined by the Remuneration Committee, will ensure that the pay levels of its employees are reasonable and competitive in the market and their total rewards including basic salary and bonus system are linked with their performance. The members and the work done of Remuneration Committee are shown on page 27.

CORPORATE SOCIAL RESPONSIBILITIES

The Group continues to participate and sponsor various activities organised by the Samaritan Befrienders Hong Kong and other charitable activities.

The Hong Kong Council of Social Service conferred the Caring Company to the Group for the fourth consecutive years.

During the financial year ended 31 December 2011, the Company has substantially complied with the Corporate Governance Code (the "Corporate Governance Code" or the "Code") in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") with the exception of part of deviation as set out under the paragraphs on "Chairman and Managing Director: clear division of responsibilities" below.

GUIDELINES AND PROCEDURES FOR CORPORATE GOVERNANCE OF THE COMPANY

(A) CORPORATE GOVERNANCE CHART

The Board is committed to maintaining a high standard of corporate governance for the purpose of enhancing long term shareholders value. The corporate governance chart adopted by the Company could refer to Liu Chong Hing Investment Limited Simplified Organization Chart on page 26.

(B) DIRECTORS

(I) THE BOARD: RESPONSIBILITY FOR LEADERSHIP AND CONTROL OF THE COMPANY

- The Board is accountable to the shareholders for leadership and supervision of the senior management for the purpose of creating long term shareholders value by sustaining a growing and successful business.
- The principal task of the Board is to set objective, formulate strategy and to monitor the operating and financial performance.
- Duties of the Board include approving interim reports and annual reports, announcements and press release of interim and final results, considering the dividend policy, and approving the issue, allotment or disposal or grant of options in respect of unissued new shares of the Company.

(II) CHAIRMAN AND MANAGING DIRECTOR: CLEAR DIVISION OF RESPONSIBILITIES

- The role of Chairman and the Managing Director of the Company has not been segregated as required by the code provision A.2.1 of the Code. The Board considers this arrangement is in the best interest of the Company that by nature of the group's business which requires considerable market expertise and Dr. Liu Lit Mo, with his profound expertise in the property and banking business, shall continue in his dual capacity as the Chairman and Managing Director.
- Managing Director assumes overall responsibility for group's operation and performance by delegating duties to different executive directors and senior management to achieve targeted objectives. The Board gives clear directions to management as to their powers of management, circumstance in which the management should make report.

(III) BOARD COMPOSITION: BALANCE AND INDEPENDENCE

- The Board currently comprises five Executive Directors, four Non-executive Directors and three Independent Non-executive Directors of the full Board . During the year ended 31 December 2011, the Board mostly met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors and at least one of whom with appropriate professional qualifications, or accounting or related financial management expertise.

- The appointment of Independent Non-executive Directors strictly adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received written confirmation of their independence from each of the Independent Non-executive Directors.

- The Board considers that the three Independent Non-executive Directors are free from any business or other relationship which might interfere with the exercise of their independent judgment and each of Independent Non-executive Directors brings their own relevant expertise to the Board.

- The presence of all Independent Non-executive Directors could ensure that the Board functions effectively and independently.

- All of the Independent Non-executive Directors are also the Committee Members of the Audit Committee, Remuneration Committee and the Nomination Committee. In short, the three committees have a majority of Independent Non-executive Directors.

- In addition, the Company has set up the Corporate Governance Committee on 7 March 2012 comprising four Executive Directors and two Independent non-executive directors to perform the corporate governance duties.

- The biographies of the Directors appear on pages 55 to 58. These demonstrate diversity of experience and calibre of the Board in making management decisions.

(IV) APPOINTMENTS, RE-ELECTION AND REMOVAL

- The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors.

- The four Directors who have been longest in office as at each annual general meeting will retire from office and be subjected to re-election.

- For newly appointed directors, they are required to submit themselves to shareholders for re-election to the Board at the first annual general meeting following their appointment.

- Code A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election, whereas Recommended Best Practices D.1.4 (becoming Code D.1.4 after 1 April 2012) proposes that issuers shall have formal letters of appointment for directors setting out the key terms and conditions of their appointment. All the Directors have entered into a letter of appointment with the Company and were appointed for a specific term, subject to re-election and retirement by rotation at least once every three years in accordance with the Company's Articles of Association.

- Code A.4.2 stipulates that every director shall be subject to retirement by rotation at least once every three years. Under the Article 99 of the Company's articles of association, all directors are subject to retirement by rotation except the Managing Director who shall not be subject to retirement by rotation under Articles 107 of the Company's articles of association.

- Details of the term of appointment of all the Non-executive Directors and Independent Non-executive Directors are as follows:

  (i) to perform such functions and exercise such powers as are appropriate to your position as an independent non-executive directors or non-executive directors of the Company;

  (ii) to comply with all laws, rules and regulations applicable to you as a director of the Company, including but not limit to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and

  (iii) to notify the board of directors of the Company immediately upon the occurrence of, or the directors becoming aware of, any matter which may affect their independence.

(V) RESPONSIBILITIES OF DIRECTORS: GENERAL DUTIES, SHARE DEALINGS

- The Directors fully appreciate their role and duties as directors with supportive commitment of creating a healthy corporate governance culture.

- On appointment, new Directors will be given an introduction to the group's major business activities, induction into their responsibilities and duties, and other regulatory requirements.

- The Company Secretary is responsible for keeping all Directors updated on Listing Rules and other relevant regulatory requirements.

- Throughout the year, Directors complied with the required standard set out in the Model Code in Appendix 10 of the Listing Rules regarding Securities Transactions by Directors of Listed Issuers.

(VI) CONTINUOUS PROFESSIONAL DEVELOPMENT

- Recommended Best Practices A.5.5 (becoming Code A.6.5 after 1 April 2012) proposes that all directors should participate in continuous professional development to develop and refresh their knowledge and skills.

- All directors are well aware of the requirement of attending continuous professional training for the year ending 31 December 2012.

(C) BOARD PROCESS

(I) MEETINGS: MATTERS RESERVED FOR FULL BOARD DECISION AND GENERAL PROCEEDINGS

- In order to achieve a high standard of corporate governance and in compliance with the requirement as mentioned under Appendix 14 — Corporate Governance Code, the Board has performed to hold full Board meeting at least quarterly during the year 2011.
- Matters reserved for full Board decision include material bank facilities arrangement, material acquisitions and disposals of assets, material transactions with connected parties, significant investments including large capital projects, delegation of authority, treasury and risk management policy, any matters involving a conflict of interest for a substantial shareholder or director.
- All Directors have access to the Company Secretary who is responsible for ensuring that the Board procedures are complied with and advises the Board on corporate governance and compliance matters.
- The Company Secretary is responsible for taking minutes of Board and Board Committee meetings, which are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is sent to all Directors for their records and open for Directors' inspection.
- All Directors are allowed to take independent professional advice at Company's expense.
- There is in place a directors' and officers' liabilities insurance cover.
- Details of Directors' 2011 meetings attendance are set out below:

	Number of meeting attended	Attendance Rate
Executive Directors		
Liu Lit Mo, *Chairman and Managing Director*	4/4	100%
Liu Lit Chi	4/4	100%
Liu Kam Fai, Winston, *Deputy Managing Director*	4/4	100%
Liu Kwun Shing, Christopher *(also alternate director to Dr. Liu Lit Chung)*	4/4	100%
Lee Wai Hung	4/4	100%
Non-executive Directors		
Liu Lit Chung	0/4	0%
Andrew Liu	2/4	50%
Liu Chun Ning, Wilfred	2/4	50%
Kho Eng Tjoan, Christopher	4/4	100%
Independent Non-executive Directors		
Ng Ping Kin, Peter	0/4	0%
Cheng Mo Chi, Moses	1/4	25%
Tong Tsin Ka	4/4	100%

(II) SUPPLY OF INFORMATION: QUALITY AND TIMELINESS

- The Company attaches great importance to continually improve on the quality and timeliness of the dissemination of information to the Directors.
- The Chairman is responsible for ensuring adequate supply of information to the Directors.
- The agenda and accompanying board papers will be sent in full to all Directors in a timely manner (we aim to give relevant documents at least five clear days replacing current practice of at least three clear days in advance of meeting). Where appropriate, communications are sent electronically.
- All Directors are currently provided with quarterly management reports which showing the group's financial and operating results with detailed analysis of those major rental properties, property under development and other investments.
- A full Board meeting, held by each quarter, were regularly taken for the purpose of reviewing and updating the Company's business and operating results with reference to the quarterly management report.
- Managing Director is currently holding monthly internal management meeting with various department heads to update Directors on their lines of business and to review performance for delegated assignment.
- All Executive Directors are currently provided with monthly management accounts of the Company which give an updated position/performance of the Company.

(D) REMUNERATION OF DIRECTORS

Procedures for Remuneration Committee to set Directors and Senior Management's remuneration policy:

- The Company has set up Remuneration Committee on 3 March 2005. Its terms of reference are to review and determine the remuneration packages for all Directors and Senior Management.
- The Remuneration Committee is chaired by the Independent Non-executive Director, Dr. Cheng Mo Chi, Moses and has a majority of Independent Non-executive Directors.
- Its other current members are Mr. Ng Ping Kin, Peter and Mr. Tong Tsin Ka (both are Independent Non-executive Directors) and Mr. Kho Eng Tjoan, Christopher (a Non-executive Director).
- The Committee meets at least once per annum.
- The main duties of the Committee include the followings:

  (i) to make recommendations to the board on or determine the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

  (ii) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payment, including any compensation payable for loss or termination of their office or appointment;

  (iii) to make recommendations to the board on or determine the remuneration of non-executive directors;

  (iv) to review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives.

- Details of 2011 Remuneration Committee meeting attendance are set out below:

	Number of meeting attended	Attendance Rate
Members of Remuneration Committee		
Cheng Mo Chi, Moses, *Chairman*	1/1	100%
Ng Ping Kin, Peter	0/1	0%
Tong Tsin Ka	1/1	100%
Kho Eng Tjoan, Christopher	1/1	100%
Cavior Liu, *Secretary*	1/1	100%

- The Committee is authorized by the Board to oversee and determine the remuneration of Executive Directors and Senior Management.
- No Director is involved in deciding his own remuneration. On matters other than those concerning him, the Chairman or Managing Director may be invited to Committee meetings to give advices.
- Committee members are allowed under certain procedures to take independent professional advice at Company's expense for making and determining the remuneration package proposal.
- The Committee will present a report to the Board after each meeting, which addresses its work and findings.
- The Committee will make recommendation to the Board regarding the remuneration, comprising directors' fees for all non-executive directors, for shareholders approval at the Annual General Meeting.
- Details on the mandate and summary of the work by the Remuneration Committee during the year are set out in the Remuneration Committee Report on page 27.
- The terms of reference of Remuneration Committee are available on the Company's website and the Stock Exchange's website.

(E) ACCOUNTABILITY AND AUDIT

(I) FINANCIAL REPORTING: BALANCED, CLEAR AND COMPREHENSIVE ASSESSMENT OF COMPANY'S PERFORMANCE, POSITION OF PROSPECTS

- The Board believes that it presents a comprehensive, balanced and understandable assessment of the group position and prospects in all shareholder communications.
- The Board fully appreciates its responsibilities regarding the preparation of financial statements.

(II) AUDIT COMMITTEE AND AUDITORS: TERMS OF REFERENCE AND RELATIONSHIP WITH MANAGEMENT AND EXTERNAL AUDITORS

- The Audit Committee is chaired by the Independent Non-executive Director, Mr. Tong Tsin Ka and has a majority of Independent Non-executive Directors.
- Its other current members are Mr. Ng Ping Kin, Peter and Dr. Cheng Mo Chi, Moses (both are Independent Non-executive Directors) and Mr. Kho Eng Tjoan, Christopher (a Non-executive Director). All members have experience in reviewing and analyzing audited financial statements of public companies or major organization.

- The Committee meets not less than twice per annum. Meetings are also attended by invitation by the Managing Director and Executive Director who is in charge of finance matters. The Committee also meets not less than twice per annum with the Company's auditors.

- The main duties of the Committee include the followings:

  (i) to be primarily responsible for making recommendations to the board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

  (ii) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

  (iii) to develop and implement policy on engaging an external auditor to supply non-audit services;

  (iv) to monitor integrity of the Company's financial statements and annual report and accounts, half year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them;

  (v) to review the Company's financial controls, internal control and risk management systems;

  (vi) to discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system;

  (vii) to consider major investigation finding on internal control matters as delegated by the board or on its own initiative and management's response to these findings;

  (viii) to review the group's financial and accounting policies and practices;

  (ix) to review the external auditor's management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response; and

  (x) to ensure that the board will provide a timely response to the issues raised in the external auditor's management letter.

- Details of 2011 Audit Committee meetings attendance are set out below:

	Number of meeting attended	Attendance Rate
Members of Audit Committee		
Tong Tsin Ka, *Chairman*	2/2	100%
Ng Ping Kin, Peter	0/2	0%
Cheng Mo Chi, Moses	1/2	50%
Kho Eng Tjoan, Christopher	2/2	100%
Lee Wai Hung, *Secretary*	2/2	100%

- Under its terms of reference, the Committee is required, amongst other things, to oversee the relationship with external auditors, to review the Company's interim and annual financial statements, and to evaluate group system of internal controls.
- There is an agreed procedure for Audit Committee members to take independent professional advice at Company's expense.
- The Committee presents a report or makes advice to the Board after each meeting, which addresses its work and findings.
- Details on the mandate and work performed by the Audit Committee during the year are set out in the Audit Committee Report on page 28.
- The terms of reference of Audit Committee are available on the Company's website and the Stock Exchange's website.

(III) AUDITORS' REMUNERATION

For the year ended 31 December 2011, the Auditors of the Company and its subsidiaries would receive approximately HK$2.71 million for audit and audit related services (2010: HK$1.97 million) as well as HK$0.25 million for non-audit services (2010: HK$0.33 million).

(IV) INTERNAL CONTROL: SOUND AND EFFECTIVE SYSTEM TO SAFEGUARD SHAREHOLDER INTERESTS AND COMPANY ASSETS

- Risk management is a crucial part of the group's strategic management to monitor the Company's overall financial position and to protect its assets.
- The group is committed to implementing effective risk management policies and internal control procedures to identify and manage the risks that the group may be exposed to.
- These policies and procedures are reviewed regularly by management together with the assistant by external auditors during the course of audit to ensure their effectiveness and compliance with Code on Corporate Governance Practices.
- The Managing Director and Executive Director will discuss with external Auditors in the Audit Committee meeting at least twice a year on key issues in relation to internal controls, audit finding and risk management.
- As concluded in 2011 Audit Committee meeting, no irregularities and major weakness in control were found by the Auditors.

(F) NOMINATION COMMITTEE

- The Company has set up the Nomination Committee on 7 March 2012, which is mainly responsible for making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors.
- The Nomination Committee is chaired by the Chairman of the Board. The Committee shall comprise members not less than three and a majority of the Committee was Independent Non-executive Directors.
- On the date of establishment, the Nomination Committee is chaired by the Dr. Liu Lit Mo, Chairman of the Board and has a majority of Independent Non-executive Directors.

- Its other current members are Dr. Cheng Mo Chi, Moses, Mr. Ng Ping Kin, Peter and Mr. Tong Tsin Ka (both are Independent Non-executive Directors) and Mr. Kho Eng Tjoan, Christopher (a Non-executive Director).
- The Committee will meet at least once per annum.
- The main duties of the Committee include the followings:

  (i) to review the structure, size and composition (including the skills, knowledge and experience required) of the board at least annually and make recommendations on any proposed changes to the board to complement the Company's corporate strategy;

  (ii) to identify individuals suitably qualified to become directors of the Company and select or make recommendations to the board on the selection of individuals nominated for directorships;

  (iii) to assess the independence of independent Non-executive directors of the Company; and

  (iv) to make recommendations to the board on the appointment or re-appointment of the directors and succession planning for directors, in particular the chairman and chief executive of the Company.
- The Nomination Committee has aware the new Rule 3.10A (the amendment will come into effect by 31 December 2012). The appointment of additional Independent Non-executive Director to fulfill the requirements will be scheduled to complete in year 2012.
- Committee members are allowed to take independent professional advice at Company's expense.
- The terms of reference of the Nomination Committee are available on the Company's website and the Stock Exchange's website.

(G) CORPORATE GOVERNANCE COMMITTEE

- The Company has set up the Corporate Governance Committee on 7 March 2012, which is mainly responsible for performing the corporate governance duties of the Board.
- The Corporate Governance Committee is chaired by Dr. Liu Lit Mo, Chairman of the board.
- Its other current members are Mr. Liu Kam Fai, Winston, Mr. Liu Kwun Shing, Christopher and Mr. Lee Wai Hung, all of them are Executive Directors of the Company and Dr. Cheng Mo Chi, Moses and Mr. Tong Tsin Ka (both are independent non-executive directors).
- The Committee will meet at least once per annum.
- The Corporate Governance Committee determines the policy for the corporate governance of the Company. The duties preformed by the Corporate Governance Committee include the following:

  (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to the board;

  (ii) to review and monitor the training and continuous professional development of the directors of the Company and the senior management;

  (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

  (iv) to develop, review and monitor the code of conduct applicable to the directors and the employees of the Company;

(v) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report as required under the Listing Rules; and

(vi) to hold regular meetings with all department heads from time to time requesting them to review their corporate governance within the department and require them to submit proposal or remedy action to redress the matters.

- Committee members are allowed to take independent professional advice at Company's expense.
- The terms of reference of the Corporate Governance Committee are available on the Company's website.

(H) DELEGATION BY BOARD

(I) RELATIONSHIP WITH MANAGEMENT

- The Board and management (include different departmental heads) fully appreciate their respective roles with supportive commitments of creating a healthy corporate governance culture.
- The Board is responsible for overseeing the processes that management (include different departmental heads) has in place to identify business opportunities and risks.
- The Board's role is not to manage the business which responsibility remains vested with management and different departmental heads. The management is accountable to the Board.

(II) BOARD COMMITTEES: SPECIFIC TERMS OF REFERENCE AND REPORT TO FULL BOARD

- The Board currently has four Board Committees, namely the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee with specific written terms of reference.
- The Audit Committee and Remuneration Committee, each has a 100% non-executive membership with a majority of Independent Non-executive Directors.
- The Nomination Committee is chaired by the Chairman of the Board and has a majority of Independent Non-executive Directors.
- The Corporate Governance Committee comprises four Executive Directors and two Independent Non-executive Directors of the Company.
- Board Committees present their respective reports to the Board after each meeting, which addresses their work and findings.

(I) SHAREHOLDER COMMUNICATION POLICY

(I) PREAMBLE

This policy sets out the Company's standards and practice in relation to communicating with its shareholders and prospective investors.

- The Company is committed to maintaining a policy of open and timely disclosure of relevant information on its activities to shareholders, subject to applicable legal requirements.
- The Company believes that providing regular communications to its shareholders and the market is important to ensure they have the available information reasonably required to make informed assessments of the Company's strategy, operations and financial performance.

- Communication channels

  Communication is made through:

  — the Company's annual and interim reports, which have been enhanced to present a comprehensive, balanced and understandable assessment of the group position and prospects.

  — notices of and explanatory memoranda for annual and other general meetings, which have been enhanced to provide shareholders with additional information in an understandable manner.

  — press releases on major developments of the Company and its subsidiaries.

  — disclosures to the Stock Exchange and relevant regulatory bodies.

  — Company's website at http://www.lchi.com.hk from which shareholders can access information on the group. The website provides, inter alia, corporate announcements, business development and operations, press releases, annual reports, and corporate information of the group.

(II) SHAREHOLDERS' MEETINGS

- The Board welcomes moves towards a more constructive use of Annual General Meetings and regards the Annual General Meetings as the principal opportunity to meet private shareholders.

- Details of Directors' attendance of the general meetings of the Company held for year ended 31 December 2011 are set out below:

	Number of meeting attended	Attendance Rate
Executive Directors		
Liu Lit Mo, *Chairman and Managing Director*	1/1	100%
Liu Lit Chi	1/1	100%
Liu Kam Fai, Winston, *Deputy Managing Director*	1/1	100%
Liu Kwun Shing, Christopher *(also alternate director to Dr. Liu Lit Chung)*	1/1	100%
Lee Wai Hung	1/1	100%
Non-executive Directors		
Liu Lit Chung	0/1	0%
Andrew Liu	0/1	0%
Liu Chun Ning, Wilfred	0/1	0%
Kho Eng Tjoan, Christopher	1/1	100%
Independent Non-executive Directors		
Ng Ping Kin, Peter	0/1	0%
Cheng Mo Chi, Moses	0/1	0%
Tong Tsin Ka	1/1	100%

- The Company arranges for the annual report and financial statements and related papers to be posted for shareholders so as to allow at least 20 clear business days (exclude Saturdays, Sundays and public holidays in Hong Kong) for consideration prior to the Annual General Meeting. And all other general meetings to be sent at least 10 clear business days (exclude Saturdays, Sundays and public holidays in Hong Kong).
- The Board encourages and supports shareholder participation in general meetings. Shareholders are encouraged to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend such meetings.
- Mechanisms for enabling shareholder participation will be reviewed on a regular basis by the Board to encourage the highest level of participation.
- Chairman of the Board, appropriate members of the Board committees and the external auditors of the Company will attend the annual general meetings to answer questions from the shareholders.

(III) SHAREHOLDERS' ENQUIRIES

- Inquiries from shareholders, investors, media or the public are responded by the Executive Directors, Chief Financial Officer, Company Secretary or the appropriate members of senior management.
- The Company will respond in a timely manner to shareholder queries and concerns.

(IV) THE ADMINISTRATION OF ANNUAL GENERAL MEETING

- All ordinary shares of the Company have equal voting rights. Annual General Meeting proceedings are continually reviewed in the light of Code on Corporate Governance Practices.
- Separate resolutions are proposed at the meeting on each substantially separate issue, including the election of individual Directors.
- Preparation of a comprehensive Annual General Meeting circular containing:
    - re-election of Directors;
    - general Mandate to Repurchase Shares;
    - general Mandate to Issue Shares;
    - amendments to the Articles of Association, if any;
    - voting at Annual General Meeting; and
    - comprehensive information on each resolution to be proposed.

  The Company's Articles contain the rights of shareholders to demand and the procedures for a poll voting on resolution at shareholders' meetings. Details of such rights to demand a poll and the poll procedures are included in all circulars in relation to shareholders' meetings and will be explained during the proceedings of shareholders' meetings. In case poll voting is conducted, the poll results will be posted on the websites of the Stock Exchange and the Company on the business day following the shareholders' meeting.

To promote effective communication, the Company maintains a website at http://www.lchi.com.hk where the Company's announcements, business development and operations, financial information, corporate governance practices and other information are posted.

Information on top 10 largest shareholders and location of shareholders is set out in Directors' Report on page 24.

(V) PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING ("EGM")

- Shareholders holding not less than one-tenth (1/10) of the paid-up capital of the Company which carries the right of voting at general meetings can deposit a written request to convene an EGM.
- The written request must state the objects of the meeting and must be signed by the shareholders making such request, and may consist of several documents in like form each signed by one or more of those shareholders. A request by joint holders of shares must be signed by all such holders.
- The request should be deposited at the registered office of the Company for the attention of the Company Secretary.
- The request will be verified with the Company's share registrar and upon its confirmation that the request is valid, the Company Secretary will convene an EGM on behalf of the board of directors by serving sufficient notice in accordance with the statutory requirements or applicable rules or regulations to all the registered shareholders.
- If the request is verified to be not in order, shareholders concerned will be advised of the result and no EGM will be convened.
- If the Directors do not within 21 days from the date of the deposit of the request proceed to convene an EGM, the shareholders concerned or any of them representing more than one-half of the total voting rights of all of them may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the date of the deposit of the request.
- In the case of an EGM at which a resolution is to be proposed as a special resolution, the Directors shall be deemed not to have duly convened the EGM if they do not give such notice as is required by section 116 of the Companies Ordinance (Laws of Hong Kong).

(VI) PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

- A request in writing must be made by:

  (i) Shareholders holding not less than one-fortieth (1/40) of the total voting rights of all shareholders having the right to vote at the meeting; or

  (ii) not less than 50 shareholders holding shares in the Company on which there has been paid up an average sum, per shareholder, of not less than HK$2,000.

  to the Company to give to shareholders notice of any resolution which may properly be moved and is intended to be moved at an annual general meeting, or to circulate to shareholders any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting.
- The written request must be signed by all the shareholders concerned in one or more documents in like form and deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting in the case of a requisition requiring notice of a resolution, and not less than one week before the meeting in the case of any other requisition.
- The request will be verified with the Company's share registrar and upon its confirmation that the request is valid, the Company will give notice of the resolution or circulate the statement provided that the shareholders concerned have deposited a sum reasonably sufficient to meet the Company's expenses in regard thereto.

- If the request is verified to be not in order or the shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the shareholders concerned will be advised of the result and no action will be taken by the Company in that regard.

(VII) PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

Subject to applicable laws, rules and regulations, including Companies Ordinance (Laws of Hong Kong), the Listing Rules and the articles of association of the Company as amended from time to time, if any Shareholder(s) of the Company intends to propose a person other than a director of the Company for election as a director of the Company at any general meeting, the following procedures shall apply:

- a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged with the Board of Directors of the Company at the registered office of the Company;
- the minimum length of the period during which such notice(s) are given shall be at least seven days and that the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting; and
- in order for the Company to inform shareholders of the Company of that proposal, such notice(s) for the nomination of a director must state the full name of the person nominated for election as a director and include the person's biographical details as required by the Listing Rules.

Corporate Information

HONORARY CHAIRMAN

Mr. Liu Lit Man, *GBS, J.P., F.I.B.A.*

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. Liu Lit Mo, *LLD, MBE, J.P.*

(Chairman and Managing Director)

Mr. Liu Lit Chi

Mr. Liu Kam Fai, Winston

(Deputy Managing Director)

Mr. Liu Kwun Shing, Christopher

(also alternate director to Dr. Liu Lit Chung)

Mr. Lee Wai Hung

NON-EXECUTIVE DIRECTORS

Dr. Liu Lit Chung, *MBBS (Lon), MRCP(UK), F.R.C.P. (Lon)*

Mr. Andrew Liu

Mr. Liu Chun Ning, Wilfred

Mr. Kho Eng Tjoan, Christopher

BES, M. Arch, HKIA, RIBA, ARAIA, MRAIC,

Assoc, AIA, Registered Architect, A.P. (Architect)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Ping Kin, Peter, *MSc., J.P.*

Dr. Cheng Mo Chi, Moses, *GBS, OBE, LLB (HK), J.P.*

Mr. Tong Tsin Ka, *FCA (AUST.), FCPA, FCIS*

COMPANY SECRETARY

Mr. Lee Wai Hung

AUDIT COMMITTEE

Mr. Tong Tsin Ka *(Chairman)*

Mr. Ng Ping Kin, Peter

Dr. Cheng Mo Chi, Moses

Mr. Kho Eng Tjoan, Christopher

Mr. Lee Wai Hung *(Secretary)*

REMUNERATION COMMITTEE

Dr. Cheng Mo Chi, Moses *(Chairman)*

Mr. Ng Ping Kin, Peter

Mr. Tong Tsin Ka

Mr. Kho Eng Tjoan, Christopher

Ms. Cavior Liu *(Secretary)*

NOMINATION COMMITTEE

Dr. Liu Lit Mo *(Chairman)*

Dr. Cheng Mo Chi, Moses

Mr. Ng Ping Kin, Peter

Mr. Tong Tsin Ka

Mr. Kho Eng Tjoan, Christopher

Mr. Lee Wai Hung *(Secretary)*

CORPORATE GOVERNANCE COMMITTEE

Dr. Liu Lit Mo *(Chairman)*

Dr. Cheng Mo Chi, Moses

Mr. Tong Tsin Ka

Mr. Liu Kam Fai, Winston

Mr. Liu Kwun Shing, Christopher

Mr. Lee Wai Hung

SENIOR MANAGEMENT

DEPARTMENT HEADS

Ms. Eva Liu,	Director of projects and maintenance
Mr. Luk Chi Chung,	Director of finance
Ms. Cavior Liu,	Director of human resources and administration
Mr. Pan Sze Yuen, Cecil,	Director of projects and maintenance
Miss Yan Yuet Lam, Charmaine,	Director of business development
Mr. Lam Shiu Cheung,	Director of China property
Mr. Lau Ping Leung, Stephen,	Director of quantity surveying
Mr. Wong Yuk Chi, Allen,	Director of property management department
Ms. Yeung Shui Wah, Hazel,	Deputy general manager of Shanghai Huang Pu Liu Chong Hing Property Development Company Limited

MANAGERS

Mr. Jan Kwok Wai,	Senior project manager
Ms. Ngan Luen Hing,	Property manager (sale & leasing)
Mr. Tong Tse Hon,	Property manager (sale & leasing)
Mr. Tam King Hung,	Project manager

SOLICITORS

Deacons

Gallant Y.T. Ho & Co.

P.C. Woo & Co.

AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

BANKERS

Chong Hing Bank Limited
Bank of China (Hong Kong) Limited
Bank of Communications Company Limited
Citibank N.A. Hong Kong
CITIC Bank International Limited
Dah Sing Bank, Limited
DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited
Shanghai Commercial Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of Tokyo-Mitsubishi UFJ, Limited
The Royal Bank of Scotland
Wing Hang Bank, Limited
Wing Lung Bank Limited

Corporate Information

REGISTERED OFFICE

25th Floor Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong
Tel: (852) 3768 9038 Fax: (852) 3768 9008

GUANGZHOU OFFICE

18A Block A
339 Huan Shi Dong Road
Yue Xiu District
Guangzhou, PRC
Tel: (8620) 8375 8993 Fax: (8620) 8375 8997

SHANGHAI OFFICE

Room 3105, Chong Hing Finance Centre
288 Nanjing Road West
Shanghai, PRC
Tel: (8621) 6359 1000 Fax: (8621) 6327 6299

FOSHAN OFFICE

First Phase, The Grand Riviera
1 Guilong Road
West of Luocun, Luocun Street
Nanhai District, Foshan
Guangdong Province, PRC
Tel: (86757) 8126 6688 Fax: (86757) 8126 6669

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

DR. LIU LIT MO

LLD, MBE, J.P.

aged 74, is the Chairman and Managing Director of Liu Chong Hing Investment Limited. He was appointed as the Managing Director of the Company since 1972. Dr. Liu is also the Chairman of Chong Hing Bank Limited and a Director of China Motor Bus Company Limited. As for community service, Dr. Liu was the Chairman of Tung Wah Group of Hospitals in 1967 and is now serving as an Adviser of the Group. He had also been President of the Hong Kong Chiu Chow Chamber of Commerce, Chairman of Hong Kong Football Association and District Governor of District 3450, Rotary International. Presently, he is a member of the Board of Trustees of United College, The Chinese University of Hong Kong and a Manager of Liu Po Shan Memorial College. He was awarded Silver Jubilee Medal by Her Majesty the Queen in 1977. Dr. Liu was conferred an Honorary Degree of Doctor of Laws by Lingnan University in 2005. Dr. Liu is the brother of Mr. Liu Lit Chi and Dr. Liu Lit Chung, the father of Mr. Liu Kam Fai, Winston and an uncle of Mr. Andrew Liu, Mr. Liu Chun Ning, Wilfred and Mr. Liu Kwun Shing, Christopher.

MR. LIU LIT CHI

aged 72, was appointed to the Board as an Executive Director of Liu Chong Hing Investment Limited since 1972. Mr. Liu, who was educated in Hong Kong and the United Kingdom, is the Managing Director and Chief Executive Officer of Chong Hing Bank Limited, and also a director of a number of other companies in Hong Kong and elsewhere. Mr. Liu is the brother of Dr. Liu Lit Mo and Dr. Liu Lit Chung, an uncle of Mr. Andrew Liu, Mr. Liu Chun Ning, Wilfred, Mr. Liu Kam Fai, Winston and Mr. Liu Kwun Shing, Christopher.

MR. LIU KAM FAI, WINSTON

BA., MSc.

aged 45, was appointed an Executive Director of the Company since 1997 and he was re-designated as the Deputy Managing Director of the Company in August 2008. He holds a Master degree in Economics from the University of London, specializing in Finance and Macro Economic Policy. Mr. Liu oversees the Company's strategic development, project implementation, as well as all aspects of business operations. Mr. Liu also served as a Director of number of subsidiaries of the Company. Besides, he has been appointed as a non-executive director of Freeman Financial Corporation Limited since January 2011, which is a public company listed on the Stock Exchange in Hong Kong. Save as disclosed above, Mr. Liu did not hold any directorship in any other listed public company in the last three years. Mr. Liu is the son of Dr. Liu Lit Mo, a nephew of Mr. Liu Lit Chi and Dr. Liu Lit Chung, a cousin of Mr. Andrew Liu, Mr. Liu Chun Ning, Wilfred and Mr. Liu Kwun Shing, Christopher.

EXECUTIVE DIRECTORS (CONTINUED)

MR. LIU KWUN SHING, CHRISTOPHER

aged 36, was re-designated as an Executive Director of the Company in August 2008 having served as a Non-executive Director of the Company and Alternate Director to Dr. Liu Lit Chung (who is a Non-executive Director of the Company) since 2000. He has also been a director of Chong Hing Bank Limited (an associate of the Company) since 2000. A holder of a Master of Arts degree in Jurisprudence from the University of Oxford, Mr. Liu is a qualified solicitor in both Hong Kong and England & Wales. Prior to joining the Company on a full-time basis, he was a partner of Deacons in Hong Kong, with a primary focus in corporate finance, M&A and private equity matters, and currently remains an advisory legal counsel of the international law firm. Mr. Liu is a member of the Foshan Municipal Committee of the Chinese People's Political Consultative Conference (CPPCC) as well as a director of Beijing Chinese Overseas Friendship Association (COFA). Mr. Liu is also an executive director of Guangdong Chamber of Foreign Investors, a vice-chairman of Foshan Investment Chamber of Private Enterprises, a board member of Entrepreneur Organisation (both Hong Kong and Pearl River Delta chapters) and a member of the Young Executives Committee of Hong Kong Chiu Chow Chamber of Commerce. With a passion for the betterment of society and education, he is also a member of the Institutional Review Board of Hong Kong University/Hospital Authority Hong Kong West Cluster and a school manager of Liu Po Shan Memorial College. Mr. Liu serves as a director of a number of subsidiaries of the Company. He is the son of Dr. Liu Lit Chung, a nephew of Dr. Liu Lit Mo and Mr. Liu Lit Chi, a cousin of Mr. Andrew Liu, Mr. Liu Chun Ning, Wilfred and Mr. Liu Kam Fai, Winston.

MR. LEE WAI HUNG

LLB, FCCA, FCPA (Practising), ATIHK, MBA, PgD in CRE

aged 49, is an Executive Director & Company Secretary of the Company. Mr. Lee holds a Bachelor of Law degree, a Master of Business Administration degree and Postgraduate Diploma in Construction and Real Estate. He is also a fellow of Hong Kong Institute of Certified Public Accountants (Practising) and a fellow member of the Association of Chartered Certified Accountants. Before joining the Company, Mr. Lee had worked in an international accounting firm for over six years. Mr. Lee has over twenty years of experience in corporate finance and accounting. Mr. Lee joined the Company in 1992 and was appointed as Director in 1994. Mr. Lee is primarily responsible for the Company's finance and secretarial matters.

NON-EXECUTIVE DIRECTORS

DR. LIU LIT CHUNG

MBBS (Lon), MRCP (UK), F.R.C.P. (Lon)

aged 62, became a Director in 1979 and also the Deputy Managing Director of the Company for over ten years. He holds a Medical degree from King's College Hospital, London University and is a Member of the Royal College of Physicians of the United Kingdom. He was awarded the Fellowship of Royal College of Physician of London for his work in Motor Neuron Disease. In 2005, he was further awarded the Honorary Fellowship by the Hong Kong College of Physicians. Dr. Liu is the brother of Dr. Liu Lit Mo and Mr. Liu Lit Chi, an uncle of Mr. Andrew Liu, Mr. Liu Chun Ning, Wilfred and Mr. Liu Kam Fai, Winston and the father of Liu Kwun Shing, Christopher.

NON-EXECUTIVE DIRECTORS (CONTINUED)

MR. ANDREW LIU

aged 56, has been a Director since 1979. Mr. Liu is also a Non-executive Director of Chong Hing Bank Limited. He is the Chief Executive Officer of Unitas Capital Pte. Ltd. (formerly known as CCMP Capital Asia Pte. Ltd.). Mr. Liu, holder of a Master of Arts degree from the Oxford University in England, was a solicitor with Slaughter and May in London before joining Morgan Stanley & Co Inc in New York in 1981. Mr. Liu was promoted to Managing Director in 1990 before relocating to Morgan Stanley Asia Limited in Hong Kong, where he assumed the position of President and Managing Director until his resignation in September 1997. Mr. Liu remains associated with Morgan Stanley as an Advisory Director. Besides, he has been appointed as a non-executive director of Freeman Financial Corporation Limited since November 2010, which is a public company listed on the Stock Exchange in Hong Kong. Save as disclosed above, Mr. Liu did not hold any directorship in any other listed public company in the last three years. Mr. Liu is a nephew of Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung, a cousin of Mr. Liu Chun Ning, Wilfred, Mr. Liu Kam Fai, Winston and Mr. Liu Kwun Shing, Christopher.

MR. LIU CHUN NING, WILFRED

BSc.

aged 50, has been appointed as Director of the Company since 1997. He holds a Bachelor's degree in economics from University of Newcastle-upon-Tyne (UK). Mr. Liu is also an Executive Director of Chong Hing Bank Limited and is in charge of the securities business of the Bank. Besides, he is an independent non-executive director of S.A.S. Dragon Holdings Limited and Get Nice Holdings Limited respectively, both are public companies listed on the Stock Exchange in Hong Kong. His other directorships in public listed companies in the last three years include Seamless Green China (Holdings) Limited which is a public listed companies in Hong Kong. Save as disclosed above, Mr. Liu did not hold any directorship in any other listed public company in the previous three years. Mr. Liu is a nephew of Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung, a cousin of Mr. Andrew Liu, Mr. Liu Kam Fai, Winston and Mr. Liu Kwun Shing, Christopher.

MR. KHO ENG TJOAN, CHRISTOPHER

BES, M. Arch, HKIA, RIBA, ARAIA, MRAIC, Assoc. AIA, Registered Architect, A.P. (Architect)

aged 49, was redesignated as Non-executive Director of the Company in May 2011 having served as Independent Non-executive Director of the Company since August 2010 and he is now serving as a member of both the Audit Committee and the Remuneration Committee. Mr. Kho holds a Bachelor of Environmental Studies degree on Urban and Regional Planning and a Master of Architecture degree. He is an Authorized Person under the Buildings Ordinance, a Registered Architect under the Architects Registration Ordinance, a member of the Hong Kong Institute of Architects, a corporate member of Royal Institute of British Architects, an associate member of Royal Australian Institute of Architects, a member of Royal Architectural Institute of Canada and an associate member of American Institute of Architects. Mr. Kho was an Executive Committee of the University of Waterloo Alumni Association and a Committee Member of the University of Manitoba Alumni Association from 1989 to 1990. During the year from 1997 to 2003, he was a Director and Council Member of the Wah Yan (Hong Kong) Past Students Association Limited. Mr. Kho is also a Committee Member of the Professional Committee of the Hong Kong Federation of Fujian Associations since 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. NG PING KIN, PETER

MSc., J.P.

aged 82, was appointed an Independent Non-executive Director of the Company since 1972 and he has served as a member of both the Audit Committee and the Remuneration Committee. Mr. Ng is an architect by profession and has held numerous offices within his profession and in relation to his public service activities. He was an appointed Member of the Urban Council for ten years and served as Chairman of the Food and Food Premises Select Committee. He was appointed as District Advisor to the Hong Kong Branch of Xinhua News Agency in 1994. He was a member of the Election Committee for the Chief Executive in 1996.

DR. CHENG MO CHI, MOSES

GBS, OBE, LLB (HK), J.P.

aged 62, was appointed as an Independent Non-executive Director of the Company in August 1999 and he has served as Chairman of the Remuneration Committee and a member of the Audit Committee. Dr. Cheng is a practising solicitor and the senior partner of Messrs. P.C. Woo & Co.. Dr. Cheng was a member of the Legislative Council of Hong Kong. He is the Founder Chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. He is also the President of International Association of Practising Lawyers. Dr. Cheng currently holds directorships in City Telecom (H.K.) Limited, China Mobile Limited, China Resources Enterprise, Limited, Towngas China Company Limited, Kader Holdings Company Limited, K. Wah International Holdings Limited, Hong Kong Exchanges and Clearing Limited, Guangdong Investment Limited and Tian An China Investments Company Limited, all being public listed companies in Hong Kong. Dr. Cheng is also an independent non-executive director of ARA Asset Management Limited, a company whose shares are listed on Singapore Exchange Limited. His other directorships in public listed companies in the last 3 years include China COSCO Holdings Company Limited and Galaxy Entertainment Group Limited (formerly known as K. Wah Construction Materials Limited), both companies are public listed companies in Hong Kong, and ARA Asset Management (Fortune) Limited (formerly known as ARA Asset Management (Singapore) Limited) which is the manager of Fortune Real Estate Investment Trust, a real estate investment trust listed on Singapore Exchange Limited. Save as disclosed above, Dr. Cheng did not hold any directorship, whether in Hong Kong or overseas, in any other public listed companies in the previous 3 years.

MR. TONG TSIN KA

FCA (AUST.), FCPA, FCIS

aged 73, was appointed an Independent Non-executive Director of the Company in September 2004 and he has served as the Chairman of Audit Committee and a member of the Remuneration Committee of the Company. Mr. Tong is a fellow of The Institute of Chartered Accountants in Australia, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Certified Public Accountants respectively. In 1968, Mr. Tong commenced his own public accountancy practice and in 1970 founded his own accountancy firm, T. K. Tong & Co. (Chartered Accountants (AUST.). Certified Public Accountants), and has remained its principal to date.

SENIOR MANAGEMENT

MS. EVA LIU

MA (Cantab), DipArch (Kingston), MA (City), ARB (UK), RIBA

aged 48, Director of Projects & Maintenance. Ms. Liu is a Chartered Architect (UK), holding Master of Arts Degrees, in Architecture from the University of Cambridge, and Property Valuation And Law from The City University in London. She was in architectural practice in England before joining the Company in 1999. She is the daughter of Dr. Liu Lit Mo and the sister of Mr. Liu Kam Fai, Winston.

MR. LUK CHI CHUNG

FCCA, CPA (Practising), MAEB

aged 44, Director of Finance. Mr. Luk is a professional accountant, holding Master of Arts Degree in Electronic Business and has over fifteen years of experience in finance and accounting. Mr. Luk joined the Company in 1995 and is in charge of Finance Management Department and Information Technology Department.

MS. CAVIOR LIU

aged 47, Director of Human Resources & Administration. Ms. Liu holds a Bachelor degree in Psychology from University of British Columbia. She joined the Company in 2000, in charge of Human Resources & Administration Department. Ms. Liu is a school manager of Liu Po Shan Memorial College. She is the daughter of Dr. Liu Lit Mo and the sister of Mr. Liu Kam Fai, Winston.

MR. PAN SZE YUEN, CECIL

MA (Cantab), DipArch (Cantab), RIBA

aged 48, Director of Projects & Maintenance. Mr. Pan is a Chartered Architect (UK), holding Master of Arts Degree in Architecture from the University of Cambridge, and has over twenty years of experience as a practising architect in both UK and Hong Kong. Mr. Pan joined the Company in 2006.

MISS YAN YUET LAM, CHARMAINE

aged 37, Director of Business Development. Miss Yan was educated in Vancouver, Canada. Before joining the Company, Miss Yan had worked with various mainland companies at senior management post for leading and handling numerous successful real estate projects including the Shanghai Forest Manor, one of the top residential villa projects in Shanghai. In addition, Miss Yan has extensive experience in business club operations both in Beijing and Shanghai. Miss Yan is currently in charge of searching investment opportunities, and business acquisition and sale for the Company, as well as the Company's hotel business.

MR. LAM SHIU CHEUNG

aged 51, Director of China Property. Mr. Lam joined the Company in 1994. He holds a Bachelor Degree in Civil Engineering and has over fifteen years of experience in development, construction and sales of real estate projects in the PRC.

MR. LAU PING LEUNG, STEPHEN

FHKIS, MHKIE, MHKICM, P.FM

aged 59, Director of Quantity Surveying. Mr. Lau is a professional surveyor and professional engineer and has over thirty years of experience in property development, building construction and quantity surveying. Mr. Lau joined the Company in 2009.

SENIOR MANAGEMENT (CONTINUED)

MR. WONG YUK CHI, ALLEN

MSc., MBA, MHIREA, FCIPFM

aged 52, Director of Property Management Department. Mr. Wong joined the Company in 1997. He holds double Master Degrees in Property & Facility Management and Business Administration, and has over twenty years of experience in Property and Facility Management.

MS. YEUNG SHUI WAH, HAZEL

MBA (UK), BBA (Marketing), DBM

aged 54, Deputy General Manager of Shanghai Huang Pu Liu Chong Hing Property Development Company Limited, is in charge of the business for marketing, leasing and property management services. Graduated from Hong Kong Baptist University, Ms. Yeung had attained a Diploma in Business Management and a Bachelor Degree in Marketing. She also holds a MBA Degree from Brunel University, West London of United Kingdom. Since establishment of the open economic policy of the PRC, Ms. Yeung has been participating in land development and property market in China. She has over 20 years of experience involving in many commercial and residential projects all over China's major cities. Before joining the Company, Ms. Yeung has taken up residential leasing and sales in Hong Kong. She has also provided consultancy services for market promotion of real estate development in commercial projects in the U.S.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Liu Chong Hing Investment Limited (the "Company") for the year 2012 will be held at 27th Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong on Wednesday, 9 May 2012 at 12:00 noon for the following purposes:

1. To receive and adopt the audited Financial Statements together with Reports of the Directors and Auditors of the Company for the year ended 31 December 2011.

2. To approve the payment of the final cash dividend for the year ended 31 December 2011 of HK$0.18 per share.

3. To re-elect Directors and fix the directors' remuneration for the year ending 31 December 2012.

4. To re-appoint Deloitte Touche Tohmatsu as Auditors and to authorize the Board of Directors to fix their remuneration.

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

ORDINARY RESOLUTION

5. "**THAT**:

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

   (b) the aggregate nominal amount of the shares of the Company which the Company is authorized to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said approval shall be limited accordingly; and

   (c) for the purpose of this resolution,

   "Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

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

   (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to be held; or

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

6. "**THAT**:

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

(b) the approval in paragraph (a) above shall authorize the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants, debentures, notes and any securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) the exercise of any rights of subscription or conversion under any warrants, bonds, debentures, notes and any securities of the Company which carry rights to subscribe for or are convertible into shares of the Company; (iii) an issue of shares of the Company upon the exercise of the subscription rights attaching to any options granted under any share option scheme adopted by the Company; (iv) an issue of shares as scrip dividends or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Company's memorandum and articles of association from time to time; or (v) specific authority granted by the shareholders of the Company in general meeting, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution,

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

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

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to be held; or

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

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares or any class of shares of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company)."

7. "**THAT** conditional upon Ordinary Resolutions Nos. 5 and 6 set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares pursuant to Ordinary Resolution No. 6 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No. 5 set out in the notice convening this meeting, provided that such extended amount of shares so repurchased shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution."

8. “**THAT**:

(a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the approval for the listing of, and permission to deal in, the ordinary shares in the capital of the Company (the “Shares”) or any part thereof to be issued pursuant to the exercise of any options that may be granted under the share option scheme (“New Share Option Scheme”), the rules of which are summarised in the Circular and contained in the document marked “A” produced to this meeting and initialed by the Chairman of the meeting for the purpose of identification, the New Share Option Scheme be and is hereby approved and adopted by the Company; and

(b) the directors of the Company be and are hereby authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with any Shares pursuant to the exercise of the subscription rights under any options which may be granted from time to time in accordance with the terms of the New Share Option Scheme and to do all such acts as they may in their absolute discretion consider necessary or expedient in order to give full effect to the New Share Option Scheme.”

9. To transact any other business.

By Order of the Board

Dr. Liu Lit Mo

Chairman and Managing Director

Hong Kong, 28 March 2012

Notes:

1. A member of the Company entitled to attend and vote at the 2012 annual general meeting is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.

2. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company’s Share Registrars, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. Closure of Register of the Members:

(a) For the purpose of determining shareholders **who are entitled to attend and vote at the 2012 Annual General Meeting** to be held on Wednesday, 9 May, 2012 (“2012 AGM”), whose name should be recorded in the Company’s shareholders book on 4 May 2012. The Register of Members of the Company will be closed from Thursday, 3 May 2012 and Friday, 4 May 2012, both days inclusive. In order to qualify for attending and voting at the 2012 AGM, all share certificates with completed transfer forms either overleaf or separately must be lodged with the Company’s Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 May 2012.

(b) For the purpose of determining shareholders **who qualify for the 2011 Final Dividend**, whose name should be recorded in the Company’s shareholders book on 18 May 2012. The Register of Members of the Company will be closed from Thursday, 17 May 2012 to Friday, 18 May 2012, both days inclusive. In order to qualify for the final dividend, all share certificates with completed transfer forms either overleaf or separately must be lodged for registration with the Company’s Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 16 May 2012.

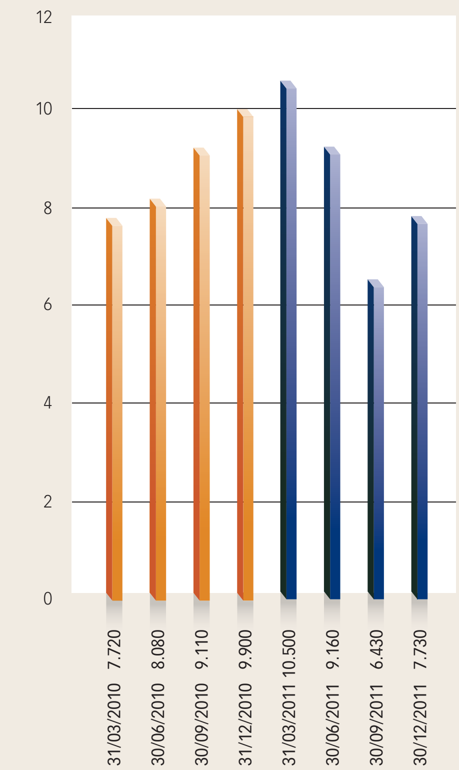
4. As at the date hereof, the Board of Directors of the Company comprises Executive Directors: Dr. Liu Lit Mo (Chairman and Managing Director), Mr. Liu Lit Chi, Mr. Liu Kam Fai, Winston (Deputy Managing Director), Mr. Liu Kwun Shing, Christopher (also alternate director to Dr. Liu Lit Chung) and Mr. Lee Wai Hung; Non-executive Directors: Dr. Liu Lit Chung, Mr. Andrew Liu, Mr. Liu Chun Ning, Wilfred and Mr. Kho Eng Tjoan, Christopher; and Independent Non-executive Directors: Mr. Ng Ping Kin, Peter, Dr. Cheng Mo Chi, Moses and Mr. Tong Tsin Ka.

Market Price Movement and Market Capitalization Chart

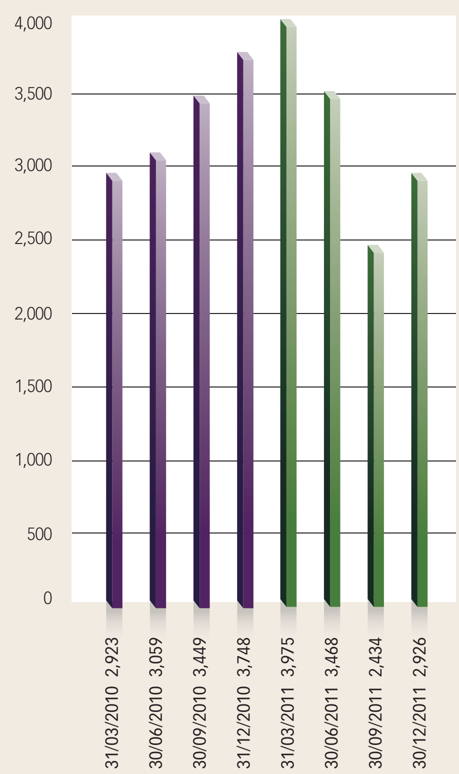
Last Trading Date of Each Month	Closing Price per Share (HK$)	Marketing Capitalization (HK$ in million)
29/01/2010	7.040	2,665
26/02/2010	7.330	2,775
31/03/2010	7.720	2,923
30/04/2010	8.650	3,275
31/05/2010	7.700	2,915
30/06/2010	8.080	3,059
30/07/2010	9.250	3,502
31/08/2010	8.650	3,275
30/09/2010	9.110	3,449
29/10/2010	9.060	3,430
30/11/2010	9.470	3,585
31/12/2010	9.900	3,748
31/01/2011	11.680	4,422
28/02/2011	11.100	4,202
31/03/2011	10.500	3,975
29/04/2011	10.940	4,142
31/05/2011	9.520	3,604
30/06/2011	9.160	3,468
29/07/2011	9.100	3,445
31/08/2011	8.200	3,104
30/09/2011	6.430	2,434
31/10/2011	7.540	2,855
30/11/2011	7.450	2,820
30/12/2011	7.730	2,926

Note: Closing price (HK$) are extracted from the web site of the Hong Kong Stock Exchange Limited. (Stock code: 194)

Closing Price per Share
March 2010 to December 2011
HK$

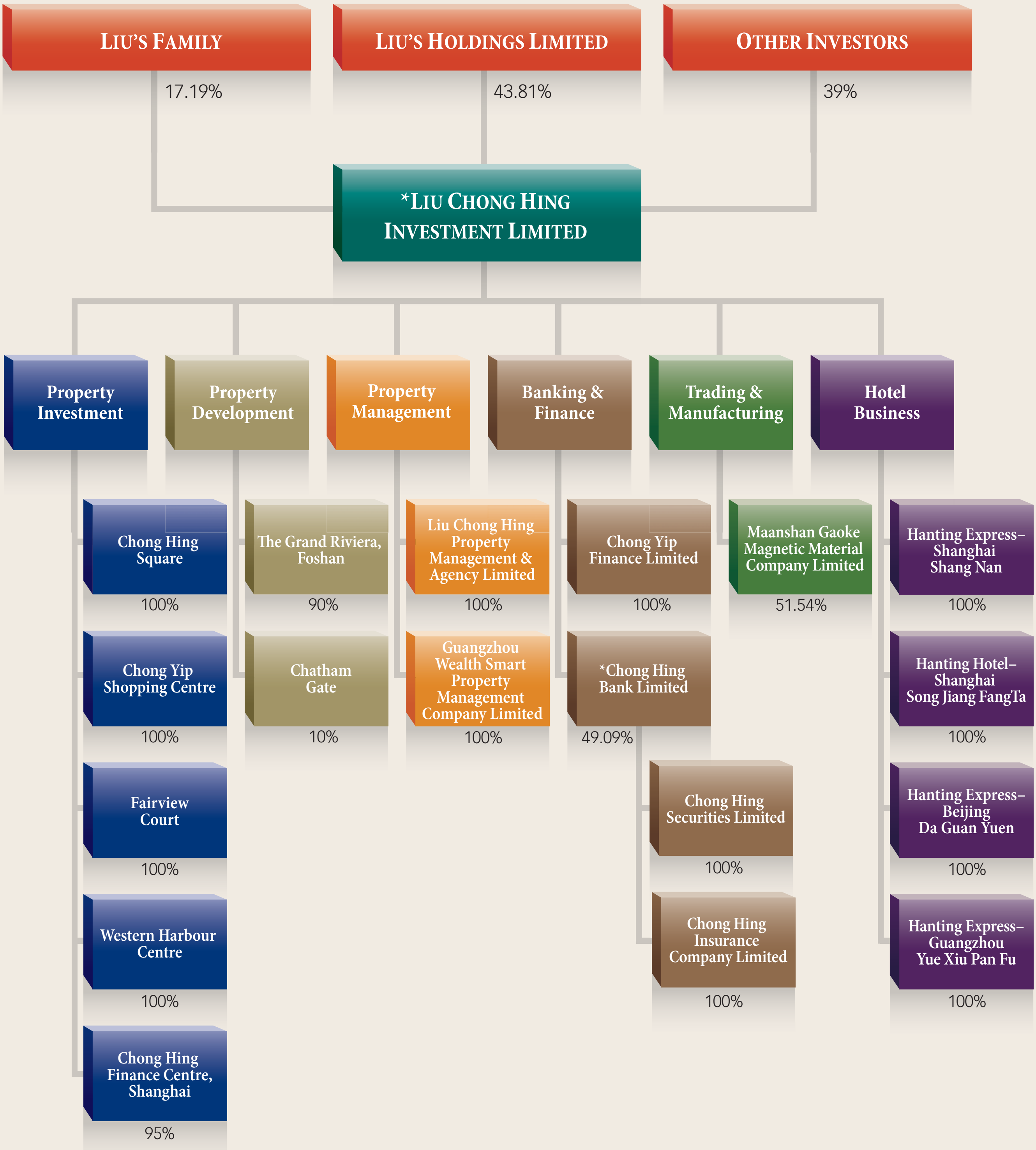


Market Capitalization
March 2010 to December 2011
HK$ in Million



Liu Chong Hing Group Simplified Corporate Structure Chart

As at 31 December 2011



*Listed on The Stock Exchange of Hong Kong Limited

Schedule of Major Properties Held by the Group and Associates

Description		Interest in the property attributable to the Group	Approximate site area (sq. ft.)	Total gross floor area (sq. ft.)	Existing use
Investment properties					
Hong Kong:					
1.	Western Harbour Centre 181–183 Connaught Road West	100%	11,500	200,000	O/P
2.	Chong Yip Shopping Centre 402–404 Des Voeux Road West	100%	32,400	73,400	C/P
3.	Fairview Court 94 Repulse Bay Road	100%	30,000	26,000	R/P
4.	Chong Hing Bank Centre 24 Des Voeux Road Central	49.09%	7,100	110,000	O
5.	The Belcher's Inland Lot No. 8880 Pokfulam Hong Kong	10%	324,000	215,000 77,600 524,300	C S P
				1,226,300	
Kowloon and New Territories:					
6.	Chong Hing Square 593–601 Nathan Road, Mongkok	100%	12,300	184,000	C
7.	Fung Shun Commercial Building 591 Nathan Road, Mongkok	49.09%	2,200	33,000	O
8.	Bonsun Industrial Building 364–366 Sha Tsui Road, Tsuen Wan	100%	18,000	46,860	I/P
				263,860	
PRC:					
9.	Chong Hing Finance Centre No. 288 Nanjing Road (W) Huang Pu District Shanghai	95%	55,000	103,000 413,000 180,000 32,000	C O P T
				728,000	
				2,218,160	

Description	Interest in the property attributable to the Group	Approximate site area (sq. ft.)	Total gross floor area (sq. ft.)	Main usage	Expected completion date	Status
Properties under development						
Hong Kong:						
1. Various Lots in D.D. 29, Ting Kok Road, Tai Po	100%	240,000	n/a	n/a		Planning stage
2. Chatham Gate 388 Chatham Road North Hung Hom	10%	40,700	305,000 61,000	R C	2012	Construction in progress
			366,000			
PRC:						
3. The Grand Riviera West of Luocun Luocun Street Nanhai District Foshan	90%	2,756,000	5,840,000 350,000 2,097,000 63,000 85,000	R C P (Note 1) S T		First phase completed (Note 2)
			8,435,000			
			8,801,000			

C=Commercial I=Industrial O=Office P=Car Park R=Residential S=Clubhouse and recreational facilities
T= Others (include kindergarten, management office and other ancillary facilities)

Notes:

1. Provide about 4,677 carparking spaces.
2. The unsold units of first phase were transferred to properties held for sale and investment properties respectively.

Shareholders' Information

FINANCIAL CALENDAR

As at 7 March 2012

Interim Results for six-month ended 30 June 2011	:	Announced on 10 August 2011
Annual Results for year ended 31 December 2011	:	Announced on 7 March 2012
Annual General Meeting	:	To be held on 9 May 2012
Latest time to lodge transfer forms	:	4:30 pm on 2 May 2012
Closure of Register of Members (for purpose of ascertaining entitlements to attend and vote at the 2012 Annual General Meeting)	:	From 3 May 2012 to 4 May 2012 (both days inclusive)
Dividends		
Interim cash dividend	:	HK$0.12 per share
Paid on	:	29 September 2011
Proposed final cash dividend	:	HK$0.18 per share
Payable on	:	24 May 2012
Ex-dividend date of final dividend	:	14 May 2012
Latest time to lodge transfer forms	:	4:30 pm on 16 May 2012
Closure of Register of Members (for purpose of ascertaining entitlements to receive the final dividend)	:	From 17 May 2012 to 18 May 2012 (both days inclusive)
Share Registrars and transfer office	:	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong
Share listing	:	The Company's shares are listed on The Stock Exchange of Hong Kong Limited
Stock Code	:	194
Board lot	:	2,000 shares
No. of issued ordinary share	:	378,583,440 shares
Company's e-mail address	:	info@lchi.com.hk
Investors and Shareholders contact	:	Attention: Mr. Lee Wai Hung/Ms. Nelly Ng 23rd Floor, Chong Hing Bank Centre 24 Des Voeux Road Central, Hong Kong Tel: (852) 3768 9050 Fax: (852) 3768 9009 Website: http://www.lchi.com.hk

Financial Report

Deloitte.
德勤

TO THE MEMBERS OF LIU CHONG HING INVESTMENT LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Liu Chong Hing Investment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 72 to 144, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 and to report our opinion 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.

Auditor's Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
7 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	NOTES	**2011 HK$'000**	2010 HK$'000
Revenue	7	**725,093**	337,995
Direct costs		**(456,823)**	(75,663)
Gross profit		**268,270**	262,332
Investment income	9	**1,953**	1,629
Other income		**93,524**	38,628
Administrative and operating expenses		**(152,717)**	(153,350)
Promotion and selling expenses		**(11,987)**	(8,116)
Loss on changes in fair value of investments held for trading		**(1,590)**	(77)
Gain on changes of fair value:			
— on investment properties disposed during the year	17	**90,770**	—
— on other investment properties	17	**75,768**	246,543
— on properties under development transferred to investment properties	17	**41,929**	—
Gain on revaluation of leasehold land and buildings	18	**180**	252
Gain on disposal of a subsidiary	39	**51,304**	—
Finance costs	10	**(59,093)**	(49,952)
Share of profit of associates	11	**274,683**	230,544
Profit before tax		**672,994**	568,433
Income tax expense	12	**(82,271)**	(65,540)
Profit for the year	13	**590,723**	502,893
Other comprehensive income			
Exchange differences arising on translation		**121,937**	98,274
Fair value gain on available-for-sale investments		**18,301**	35,078
Gain on revaluation of leasehold land and buildings		**1,060**	825
Share of other comprehensive (expense) income of associates		**(34,347)**	32,376
Income tax relating to components of other comprehensive income		**6,430**	(4,332)
Other comprehensive income for the year (net of tax)		**113,381**	162,221
Total comprehensive income for the year		**704,104**	665,114
Profit for the year attributable to:			
Owners of the Company		**593,547**	507,958
Non-controlling interests		**(2,824)**	(5,065)
		590,723	502,893
Total comprehensive income attributable to:			
Owners of the Company		**702,677**	666,252
Non-controlling interests		**1,427**	(1,138)
		704,104	665,114
Basic earnings per share	16	**HK$1.57**	HK$1.34

Statements of Financial Position

As at 31 December 2011

		THE GROUP		THE COMPANY	
		2011	2010	**2011**	2010
	NOTES	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Non-current assets					
Investment properties	17	**6,138,076**	6,099,456	**—**	695,700
Property, plant and equipment	18	**45,016**	52,871	**2,437**	2,540
Prepaid lease payments	20	**—**	29,522	**—**	—
Investments in subsidiaries	21	**—**	—	**291,747**	271,473
Interests/investments in associates	22	**3,335,927**	3,158,365	**3**	3
Available-for-sale investments	23	**319,963**	297,372	**129,825**	125,477
Amounts due from subsidiaries	24	**—**	—	**4,469,226**	3,622,771
Advances to an investee company	25	**312,209**	121,964	**—**	—
Structured deposits — due after one year	26	**35,744**	42,900	**35,744**	42,900
Deferred tax assets	34	**610**	—	**610**	—
		10,187,545	9,802,450	**4,929,592**	4,760,864
Current assets					
Properties under development for sale	19	**452,382**	1,118,029	**—**	—
Properties held for sale	19	**605,717**	6,518	**2,808**	2,808
Inventories	27	**14,693**	11,088	**—**	—
Trade and other receivables	28	**135,204**	85,761	**4,977**	10,546
Available-for-sale investments	23	**226**	957	**226**	957
Investments held for trading	29	**7,139**	8,729	**7,139**	8,729
Prepaid lease payments	20	**—**	893	**—**	—
Structured deposits — due within one year	26	**38,998**	53,040	**38,998**	53,040
Fixed bank deposits with more than three months to maturity when raised	30	**10,079**	104,068	**—**	—
Bank accounts with Chong Hing Bank Limited and its subsidiaries	30	**146,916**	126,623	**140,385**	123,223
Other bank balances and cash	30	**396,826**	338,776	**175,595**	213,483
Assets held for sale	31	**—**	100	**—**	—
		1,808,180	1,854,582	**370,128**	412,786

Statements of Financial Position

As at 31 December 2011

	NOTES	THE GROUP 2011 HK$'000	THE GROUP 2010 HK$'000	THE COMPANY 2011 HK$'000	THE COMPANY 2010 HK$'000
Current liabilities					
Trade and other payables	32	**316,897**	180,708	**8,213**	9,790
Deferred income	19	**—**	134,898	**—**	—
Taxation payable		**29,055**	11,600	**18,780**	—
Borrowings — due within one year	33	**1,298,377**	1,854,297	**1,230,565**	1,656,615
		1,644,329	2,181,503	**1,257,558**	1,666,405
Net current assets (liabilities)		**163,851**	(326,921)	**(887,430)**	(1,253,619)
Total assets less current liabilities		**10,351,396**	9,475,529	**4,042,162**	3,507,245
Non-current liabilities					
Borrowings — due after one year	33	**2,057,771**	1,807,033	**1,701,172**	1,464,296
Deferred taxation	34	**596,017**	572,774	**—**	69,720
Non-interest bearing advances from subsidiaries	35	**—**	—	**115,754**	123,054
		2,653,788	2,379,807	**1,816,926**	1,657,070
		7,697,608	7,095,722	**2,225,236**	1,850,175
Capital and reserves					
Share capital	36	**378,583**	378,583	**378,583**	378,583
Reserves	37	**7,286,085**	6,685,626	**1,846,653**	1,471,592
Equity attributable to owners of the Company		**7,664,668**	7,064,209	**2,225,236**	1,850,175
Non-controlling interests		**32,940**	31,513	**—**	—
Total equity		**7,697,608**	7,095,722	**2,225,236**	1,850,175

The consolidated financial statements on pages 72 to 144 were approved and authorised for issue by the Board of Directors on 7 March 2012 and are signed on its behalf by:

Dr. Liu Lit Mo
CHAIRMAN & MANAGING DIRECTOR

Mr. Tong Tsin Ka
CHAIRMAN OF AUDIT COMMITTEE

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to owners of the Company									
	Share capital HK$'000	**Special reserve** HK$'000 (note i)	**Property revaluation reserve** HK$'000	**Investment revaluation reserve** HK$'000	**Capital redemption reserve** HK$'000	**Exchange reserve** HK$'000	**Accumulated profits** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 January 2010	378,583	75,747	1,449,668	50,824	2,952	277,996	4,237,903	6,473,673	32,651	6,506,324
Profit for the year	—	—	—	—	—	—	507,958	507,958	(5,065)	502,893
Gain on revaluation of leasehold land and buildings	—	—	825	—	—	—	—	825	—	825
Fair value gain on available-for-sale investments	—	—	—	35,078	—	—	—	35,078	—	35,078
Share of fair value gain on available-for-sale investments held by associates	—	—	—	28,962	—	—	—	28,962	—	28,962
Income tax relating to share of investment revaluation reserve of associates	—	—	—	(4,332)	—	—	—	(4,332)	—	(4,332)
Exchange differences arising on translation	—	—	—	—	—	94,347	—	94,347	3,927	98,274
Share of exchange reserve of associates	—	—	—	—	—	3,414	—	3,414	—	3,414
Total comprehensive income (expense) for the year	—	—	825	59,708	—	97,761	507,958	666,252	(1,138)	665,114
Dividends recognised as distribution (Note 15)	—	—	—	—	—	—	(75,716)	(75,716)	—	(75,716)
At 31 December 2010	378,583	75,747	1,450,493	110,532	2,952	375,757	4,670,145	7,064,209	31,513	7,095,722
Profit for the year	—	—	—	—	—	—	593,547	593,547	(2,824)	590,723
Gain on revaluation of leasehold land and buildings	—	—	1,060	—	—	—	—	1,060	—	1,060
Fair value gain on available-for-sale investments	—	—	—	18,301	—	—	—	18,301	—	18,301
Share of fair value loss on available-for-sale investments held by associates	—	—	—	(41,749)	—	—	—	(41,749)	—	(41,749)
Income tax relating to share of investment revaluation reserve of associates	—	—	—	6,430	—	—	—	6,430	—	6,430
Exchange differences arising on translation	—	—	—	—	—	117,686	—	117,686	4,251	121,937
Share of exchange reserve of associates	—	—	—	—	—	3,193	—	3,193	—	3,193
Share of accumulated profits of associates	—	—	—	—	—	—	4,209	4,209	—	4,209
Total comprehensive income (expense) for the year	—	—	1,060	(17,018)	—	120,879	597,756	702,677	1,427	704,104
Dividends recognised as distribution (Note 15)	—	—	—	—	—	—	(102,218)	(102,218)	—	(102,218)
At 31 December 2011	378,583	75,747	1,451,553	93,514	2,952	496,636	5,165,683	7,664,668	32,940	7,697,608

Note:

(i) The special reserve represents the difference between the consideration paid and the carrying values of the underlying assets and liabilities attributable to the additional interest in a subsidiary acquired during the year ended 31 December 2004.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	NOTE	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**672,994**	568,433
Adjustments for:			
Gain on revaluation of leasehold land and buildings		**(180)**	(252)
Amortisation of prepaid lease payments		**893**	893
Depreciation of property, plant and equipment		**14,064**	13,621
Gain on disposal of a subsidiary		**(51,304)**	—
Gain on changes of fair value:			
— on investment properties disposed during the year		**(90,770)**	—
— on other investment properties		**(75,768)**	(246,543)
— on properties under development transferred to investment properties		**(41,929)**	—
Loss on changes in fair value of investments held for trading		**1,590**	77
Loss on changes in fair value of structured deposits		**1,620**	—
Finance costs		**59,093**	49,952
Imputed interest income on non-current interest-free advances to an investee company		**(1,953)**	(1,629)
Interest income		**(9,731)**	(10,025)
Loss on disposal of property, plant and equipment		**—**	11,883
Gain on disposal of assets held for sale		**(13,536)**	(904)
Share of profit of associates		**(274,683)**	(230,544)
Operating cash flows before movements in working capital		**190,400**	154,962
Increase in properties under development for sale		**(384,028)**	(346,477)
Increase in inventories		**(3,605)**	(272)
Decrease in properties held for sale		**340,937**	—
Increase in trade and other receivables		**(53,124)**	(12,249)
Purchase of investments held for trading		**—**	(3,976)
Increase (decrease) in trade and other payables		**190,813**	(39,904)
(Decrease) increase in deferred income		**(134,898)**	134,898
Cash generated from (used in) operations		**146,495**	(113,018)
Hong Kong Profits Tax paid		**(11,833)**	(8,449)
The People's Republic of China Enterprise Income Tax paid		**(30,350)**	(10,852)
Interest received		**9,731**	10,025
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**114,043**	(122,294)

	NOTE	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Disposal of a subsidiary	39	**418,695**	—
Dividend received from an associate		**105,569**	63,131
Decrease in bank deposits with more than three months to maturity when raised		**93,989**	159,244
Withdrawal upon maturity of structured deposits		**53,040**	—
Proceeds from disposal of investment properties		**25,491**	—
Proceeds from disposal of assets held for sale		**13,651**	1,105
Return of capital contributions from investment funds		**11,818**	19,850
Advance to an investee company		**(194,500)**	—
Additional investment in an associate		**(36,365)**	(43,484)
Purchase of structured deposits		**(33,462)**	(29,222)
Additional investments in available-for-sale investments		**(8,808)**	(4,350)
Purchase of investment properties		**(6,394)**	—
Purchase of property, plant and equipment		**(3,000)**	(3,750)
NET CASH FROM INVESTING ACTIVITIES		**439,724**	162,524
FINANCING ACTIVITIES			
Repayments of borrowings		**(1,051,335)**	(1,984,859)
Dividend paid		**(102,218)**	(75,716)
Interest paid		**(69,707)**	(59,218)
New borrowings raised		**738,770**	2,138,874
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(484,490)**	19,081
NET INCREASE IN CASH AND CASH EQUIVALENTS		**69,277**	59,311
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**465,399**	432,145
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**9,066**	(26,057)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**543,742**	465,399
Cash and cash equivalents at end of the year, represented by:			
Bank accounts with Chong Hing Bank Limited and its subsidiaries		**146,916**	126,623
Other bank balances and cash		**396,826**	338,776
		543,742	465,399

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The address of the registered office and principal place of business of the Company is 25/F, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong.

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

The principal activities of the Company are property investment and investment holding. The principal activities of the principal subsidiaries and associates are shown in notes 46 and 47 respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and the Group's and the Company's financial positions for the current and prior years and/or on the disclosures set out in the financial statements of the Group and the Company.

In addition, the Group and the Company have early adopted HKAS 19 (as revised in 2011) *Employee Benefits* in advance of its effective date 1 January 2013 in order to align the accounting policies of one of its associates. The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statements of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 require retrospective application with certain exceptions. The application of the amendments to HKAS 19 did not have a significant impact on the financial statements of the Group and the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND REVISED HKFRSS ISSUED BUT NOT YET EFFECTIVE

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

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

HKFRS 9 FINANCIAL INSTRUMENTS

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

Key requirements of HKFRS 9 are described as follows:

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

HKFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors anticipate that the adoption of HKFRS 9 in the future may not have significant impact on other financial assets and liabilities except for amounts reported in respect of the Group's and the Company's available-for-sale investments. Regarding the Group's and the Company's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES

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

Key requirements of these five standards are described below:

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

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

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND REVISED STANDARDS ON CONSOLIDATION, JOINT ARRANGEMENTS, ASSOCIATES AND DISCLOSURES (CONTINUED)

The directors anticipate that these five standards will be adopted in the Group's and the Company's financial statements for the annual periods beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investments in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in HKFRS 10). However, the directors is in a process of performing a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 FAIR VALUE MEASUREMENT

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

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

The directors anticipate that HKFRS 13 will be adopted in the Group's and the Company's financial statements for the annual periods beginning 1 January 2013 and that the application of the new standard may not affect the amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

AMENDMENTS TO HKAS 1 PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group and the Company for annual periods beginning on or after 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

AMENDMENTS TO HKAS 12 DEFERRED TAX — RECOVERY OF UNDERLYING ASSETS

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. The directors are in the process of assessing the impact of the application of the amendments to HKAS 12 on the consolidated financial statements.

Other than the financial effect as described above, the directors anticipate that the application of other new and revised HKFRSs issued but not yet effective has had no material impact on the Group's financial performance and the Group's and the Company's financial positions for the future and/or on the disclosures set out in the financial statements of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS (CONTINUED)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT PROPERTIES

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

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

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

For a transfer from properties under development for sale to investment properties (which is evidenced by commencement of an operating lease), any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the statements of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

Any revaluation increase arising on revaluation of leasehold and buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are included in the Company's statement of financial position at cost (including deemed capital contribution), less any identified impairment loss.

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's statement of financial position, investments in associates are stated at cost, as reduced by any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS IN ASSOCIATES (CONTINUED)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

PROPERTIES UNDER DEVELOPMENT FOR SALE

Properties under development for sale in the ordinary course of business are included in current asset at the lower of cost and net realisable value. It comprises the consideration for development expenditure (which includes cost of land use rights, construction costs and capitalised interest) directly attributable to the development of the properties.

PROPERTIES HELD FOR SALE

Properties held for sale are stated at the lower of the cost and net realisable value.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's and Company's statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the consolidated statement of comprehensive income. Fair value is determined in the manner described in notes 26 and 29.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, advances to an investee company, bank accounts with Chong Hing Bank Limited and its subsidiaries, fixed bank deposits with more than three months to maturity when raised, other bank balances and amounts due from subsidiaries of the Company) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Impairment loss on financial assets (Continued)

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FINANCIAL INSTRUMENTS (CONTINUED)

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including bank and other borrowings, trade and other payables and advances from subsidiaries of the Company) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

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

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

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IMPAIRMENT LOSSES ON TANGIBLE ASSETS

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

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

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

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

(i) Property development

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities as deferred income.

(ii) Return on investments

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the Company and the amount of revenue can be measured reliably).

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

(iii) Sales of goods

Revenue from sale of goods is recognised when the goods are delivered and titles have passed.

(iv) Management fee

Management fee income is recognised when services are rendered.

(v) Agency fee

Agency fee income is recognised when services are rendered.

(vi) Hotel operation income

Hotel operation income is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TAXATION

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

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BORROWING COSTS

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

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

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as expenses when employees have rendered service entitling them to the contributions.

LEASING

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

The Group as lessor

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

The Group as lessee

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

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASING (CONTINUED)

Leasehold land and building (Continued)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

FOREIGN CURRENCIES

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

FAIR VALUE OF INVESTMENT PROPERTIES

Investment properties are carried in the consolidated statement of financial position at 31 December 2011 at their fair value, details of which are disclosed in note 17. The fair value of the investment properties was determined by reference to valuations conducted on these properties by independent firms of property valuers using property valuation techniques which involve certain assumptions of prevailing market conditions. Favorable or unfavorable changes to these assumptions may result in changes in the fair value of the Group's investment properties and corresponding adjustments to the changes in fair value reported in the consolidated statement of comprehensive income and the carrying amount of these properties included in the consolidated statement of financial position. The carrying amount of investment properties at 31 December 2011 is HK$6,138,076,000 (2010: HK$6,099,456,000).

ESTIMATED IMPAIRMENT OF TRADE RECEIVABLES AND ADVANCES TO AN INVESTEE COMPANY

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of trade receivables, and advances to an investee company at 31 December 2011 is HK$28,157,000 and HK$312,209,000 (2010: HK$10,849,000 and HK$121,964,000) respectively.

ESTIMATED IMPAIRMENT OF AVAILABLE-FOR-SALE INVESTMENTS

The Group and the Company determine that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group and the Company evaluate among other factors, the duration and extent to which the fair value of the investment is less than its cost. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, change in technology and operational and financing cash flows. If the available-for-sale investments are impaired, the amount will be recognised in the profit or loss and will not be presented as fair value changes in the investment revaluation reserve. As at 31 December 2011, the carrying amount of available-for-sale investments of the Group and the Company are HK$320,189,000 (2010: HK$298,329,000) and HK$130,051,000 (2010: HK$126,434,000).

IMPAIRMENT OF PROPERTIES UNDER DEVELOPMENT/PROPERTIES HELD FOR SALE

The Group and the Company's properties under development and properties held for sale in the People's Republic of China (the "PRC") and Hong Kong, details of which are set out in the consolidated statement of financial position and notes 19 and 27, respectively, are expected to be recovered through future sales. In case the future selling prices, less all related direct selling expenses, are less than their current carrying value plus further costs to complete the properties under development to a saleable condition, the Group and the Company will recognise losses. Future selling prices of properties in the PRC will be affected by a combination of political, economic and other factors that are beyond accurate prediction. The carrying amount of properties under development for sale of the Group and properties held for sale of the Group at 31 December 2011 is HK$452,382,000 and HK$605,717,000 (2010: HK$1,118,029,000 and HK$6,518,000), respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

RECOGNITION AND ALLOCATION OF CONSTRUCTION COST ON PROPERTIES UNDER DEVELOPMENT FOR SALE

Development costs of properties are recorded as properties under development for sale during the construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated cost of each phase as a percentage of the total estimated cost of the entire project, or if the above is not practicable, the common costs are allocated to individual phases based on saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

PRC LAND APPRECIATION TAX ("LAT")

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditure including cost of land use rights, borrowing costs and all property development expenditures.

The Group is subject to LAT in the PRC which has been included in income tax of the Group. However, the Group has not finalised its LAT returns with the tax authorities for certain of its property development projects. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. As at 31 December 2011, the carrying amount of LAT provision (included in current liabilities) was approximately HK$359,000 (2010: HK$950,000).

FAIR VALUE OF UNLISTED AVAILABLE-FOR-SALE INVESTMENTS

The fair value of unlisted available-for-sale investments that are stated at fair value are determined with reference to market values of underlying assets, or arrived at using valuation techniques, including market multiple approach and discounted cash flow techniques, which included some assumptions that are not supportable by observable market prices or rates, the inputs may include prices information, volatility statistics, liquidity statistics and other factors. In determining the fair value where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates, earnings growth factor and the adjusted discount factor.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 33, and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors consider the cost of capital and their associated risks. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6A. CATEGORIES OF FINANCIAL INSTRUMENTS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
FVTPL				
Held for trading	**7,139**	8,729	**7,139**	8,729
Structured deposits	**74,742**	95,940	**74,742**	95,940
Loans and receivables				
(including cash and cash equivalents)	**978,866**	766,365	**4,789,895**	3,967,474
Available-for-sale investments	**320,189**	298,329	**130,051**	126,434
Financial liabilities				
Amortised cost	**3,585,292**	3,763,824	**3,053,958**	3,250,820

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, advances to an investee company, structured deposits, investments held for trading, trade and other receivables, trade and other payables, borrowings, bank accounts with Chong Hing Bank Limited and its subsidiaries, fixed bank deposits with more than three months to maturity when raised and other bank balances. The Company's major financial instruments are the same as the Group, except it further includes amounts due from subsidiaries, non-interest bearing advances from subsidiaries but excludes advances to an investee company and fixed bank deposits with more than three months to maturity when raised. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk

(i) *Currency risk*

Several subsidiaries of the Group have foreign currency bank balances, fixed deposits, structured deposits and borrowings, which expose the Group to foreign currency risk.

The carrying amounts of the Group's and the Company's monetary assets and monetary liabilities at the reporting date that are denominated in currencies other than the relevant entities' functional currency are as follows:

	THE GROUP			
	Liabilities		Assets	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
United States dollars ("US$")	**—**	—	**205,039**	280,291
HK$	**256,833**	370,000	**6,518**	—
Renminbi ("RMB")	**—**	—	**155,971**	44,169

	THE COMPANY			
	Liabilities		Assets	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
US$	**—**	—	**205,039**	280,291
RMB	**—**	—	**155,971**	44,169

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group and the Company are mainly exposed to the fluctuation of US$ against HK$ and of the HK$ against RMB. The following table details the Group's and the Company's sensitivity to a 1% (2010: 1%) increase and decrease in HK$ against US$ and 5% (2010: 5%) increase and decrease in HK$ against RMB. The respective percentages are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding US$ and HK$ denominated monetary items and adjusts their translation at the year end for the respective percentages change in the exchange rates. A 1% (2010: 1%) strengthening of the HK$ against US$ and 5% (2010: 5%) strengthening of the HK$ against RMB will increase (decrease) the Group's and the Company's post-tax profit for the year by the following amount.

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$ impact	**(1,712)**	(2,803)	**(1,712)**	(2,803)
HK$ impact	**9,631**	18,500	**—**	—
RMB impact	**(5,849)**	(2,208)	**(5,849)**	(2,208)

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to fixed rate bank deposits (see note 30 for details). The Group and the Company currently do 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.

The Group and the Company are also exposed to cash flow interest rate risk in relation to its variable-rate structured deposits, bank balances and bank borrowings. The Company is exposed to cash flow interest rate risk in relation to its amounts due from subsidiaries, structured deposits, bank balances and bank borrowings (see notes 24, 26, 30 and 33 for details of these loans and receivables and borrowings). It is the Group's and the Company's policy to keep its borrowings at floating rates of interest so as to minimise the fair value interest rate risk.

The Group's and the Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's and the Company's cash flow interest rate risk are mainly attributable to fluctuation of Hong Kong Interbank Offer Rate ("HIBOR").

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the Group's and the Company's derivative and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of variable rate amounts due from subsidiaries, structured deposits and bank and other borrowings outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point (2010: 50 basis point) fluctuation is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant:

- the Group's post-tax profit for the year ended 31 December 2011 would decrease/increase by approximately HK$13,700,000 (2010: HK$17,827,000).
- the Company's post-tax profit for the year ended 31 December 2011 would decrease/increase by approximately HK$4,894,000 (2010: HK$2,712,000).

(iii) Other price risk

The Group and the Company are exposed to equity price risk through its investments in equity securities. The Group and the Company are exposed to market price fluctuation through its investments in both listed and unlisted securities. The management will closely monitor the price movement of the securities and regularly review the performance and asset allocation of the portfolio.

The Group's and the Company's equity price risk are mainly concentrated on listed and unlisted equity securities.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% (2010: 5%) higher/lower:

- the Group's and the Company's post-tax profit for the year ended 31 December 2011 would increase/decrease by HK$298,000 (2010: HK$436,000) as a result of the changes in fair value of investments held for trading;
- the Group's investment valuation reserve would increase/decrease by HK$13,368,000 (2010: HK$14,916,000) as a result of the changes in fair value of available-for-sale investments; and
- the Company's investment valuation reserve would increase/decrease by HK$5,430,000 (2010: HK$6,322,000) as a result of the changes in fair value of available-for-sale investments.

The Group's and the Company's sensitivity to available-for-sale investments and investments held for trading has not changed significantly from the prior year.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from:

- the carrying amount of the respective recognised financial assets as stated in the statement of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Company as disclosed in note 45.

The Group had a significant concentration of credit risk at 31 December 2011, because (i) it had advanced approximately HK$312 million (2010: HK$122 million) to a single investee company and (ii) placed its structured deposits of approximately HK$75 million (2010: HK$92 million) to three (2010: three) financial institutions. The directors consider that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality of the counter-parties and the balances are considered to be fully recoverable.

The Company has a significant concentration of credit risk as all its advances were made to its subsidiaries.

In order to minimise the credit risk of debts, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management has regular liaison with the borrowers to understand their financial position and to identify any early sign of potential problems. Should any potential default situation arise, management will take prompt actions to safeguard the Company's and Groups' assets. In this regard, the directors of the Company consider that the Company's and Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The Group and the Company rely on bank borrowings as a significant source of liquidity. As at 31 December 2011, the Group and the Company had available unutilised bank loan facilities of approximately HK$789 million and HK$501 million (2010: HK$757 million and HK$757 million), respectively. Details of the amounts utilised at the end of the reporting period are set out in note 33.

As at 31 December 2011, the Company's current liabilities exceeded its current assets by approximately HK$887 million (2010: HK$1,254 million). Bank loans with carrying amount of approximately HK$180 million has been classified as current liabilities upon the application of Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*. The directors of the Company are confident that the Company will only be demanded to repay the HK$180 million according to the bank loans scheduled repayment dates which is more than one year from the end of the reporting period. The directors of the Company also believe the Company is able to renew the existing banking facilities when they expire as the Group has good quality assets that can be used as collaterals if necessary. In addition, the Company had available unutilised bank loan facilities of HK$501 million as at 31 December 2011 and the profitable subsidiaries will provide sufficient funds to the Company by way of dividends declared. Accordingly, the directors of the Company consider the Company's liquidity risk is properly addressed and therefore have prepared the financial statements on a going concern basis.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average interest rate %	On demand and less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
THE GROUP							
2011							
Non-derivative financial liabilities							
Trade and other payables	—	229,144	—	—	—	229,144	229,144
Bank borrowings							
— variable rate	3.31	180,496	—	1,126,396	2,196,207	3,503,099	3,328,088
Amount due to an associate	0.09	1,394	—	—	—	1,394	1,394
Amounts due to non-controlling interests shareholders							
— Interest bearing	5.00	16,847	—	—	—	16,847	16,639
— Non-interest bearing	—	10,027	—	—	—	10,027	10,027
		437,908	—	1,126,396	2,196,207	3,760,511	3,585,292

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average interest rate %	On demand and less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
THE GROUP							
2010							
Non-derivative financial liabilities							
Trade and other payables	—	102,494	—	—	—	102,494	102,494
Bank borrowings							
— variable rate	0.71	80,051	—	1,766,766	1,834,693	3,681,510	3,640,433
Amounts due to associates	0.15	1,174	—	—	—	1,174	1,174
Amounts due to non-controlling interests shareholders							
— Interest bearing	5.00	10,092	—	—	—	10,092	9,968
— Non-interest bearing	—	9,755	—	—	—	9,755	9,755
		203,566	—	1,766,766	1,834,693	3,805,025	3,763,824

	Weighted average interest rate %	**On demand and less than 1 month HK$'000**	**1-3 months HK$'000**	**3 months to 1 year HK$'000**	**1-5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amount at 31.12.2011 HK$'000**
THE COMPANY							
2011							
Non-derivative financial liabilities							
Trade and other payables	—	6,467	—	—	—	6,467	6,467
Bank borrowings							
— variable rate	3.31	180,496	—	1,083,889	1,815,620	3,080,005	2,930,343
Amount due to an associate	0.09	1,394	—	—	—	1,394	1,394
Non-interest bearing advances from subsidiaries	—	—	—	—	115,754	115,754	115,754
Financial guarantee contracts	—	696,700	—	—	—	696,700	—
		885,057	—	1,083,889	1,931,374	3,900,320	3,053,958

6. FINANCIAL INSTRUMENTS (CONTINUED)

6B. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average interest rate %	On demand and less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
THE COMPANY							
2010							
Non-derivative financial liabilities							
Trade and other payables	—	6,855	—	—	—	6,855	6,855
Bank borrowings							
— variable rate	0.71	80,051	—	1,587,451	1,486,710	3,154,212	3,119,737
Amounts due to associates	—	1,174	—	—	—	1,174	1,174
Non-interest bearing advances							
from subsidiaries	—	—	—	—	123,054	123,054	123,054
Financial guarantee contracts	—	967,100	—	—	—	967,100	—
		1,055,180	—	1,587,451	1,609,764	4,252,395	3,250,820

The Group's and the Company's bank loans with a repayment on demand clause are included in the "on demand and less than 1 month" time band in the above maturity analysis. As at 31 December 2011 and 31 December 2010, the aggregate undiscounted principal amounts of these bank loans were HK$180,000,000 and HK$80,000,000 respectively. Taking into account the Group's and the Company's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid one year after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$187,852,000 (2010: HK$84,416,000).

The amounts included above for financial guarantee contracts are the maximum amounts the Company could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6C. FAIR VALUE

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;
- the fair value of unlisted available-for-sale investments that are stated at fair value are determined with reference to market values of underlying assets, or arrived at using valuation techniques, including market multiple approach and discounted cash flow techniques;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of the Group's and the Company's financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2011			
	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
THE GROUP				
Financial assets at FVTPL				
Non-derivative financial assets held for trading	**7,139**	**—**	**—**	**7,139**
Structured deposits	**—**	**74,742**	**—**	**74,742**
Available-for-sale financial assets				
Listed equity securities	**651**	**—**	**—**	**651**
Listed debenture	**1,164**	**—**	**—**	**1,164**
Unlisted equity securities	**—**	**—**	**189,620**	**189,620**
Investment fund	**—**	**—**	**128,754**	**128,754**
Total	**8,954**	**74,742**	**318,374**	**402,070**

6. FINANCIAL INSTRUMENTS (CONTINUED)

6C. FAIR VALUE (CONTINUED)

Fair value measurements recognised in the statements of financial position (Continued)

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
THE COMPANY				
Financial assets at FVTPL				
Non-derivative financial assets held for trading	**7,139**	**—**	**—**	**7,139**
Structured deposits	**—**	**74,742**	**—**	**74,742**
Available-for-sale financial assets				
Listed equity securities	**133**	**—**	**—**	**133**
Listed debenture	**1,164**	**—**	**—**	**1,164**
Investment fund	**—**	**—**	**128,754**	**128,754**
Total	**8,436**	**74,742**	**128,754**	**211,932**

	2010			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP				
Financial assets at FVTPL				
Non-derivative financial assets held for trading	8,729	—	—	8,729
Structured deposits	—	95,940	—	95,940
Available-for-sale financial assets				
Listed equity securities	969	—	—	969
Listed debenture	1,164	—	—	1,164
Unlisted equity securities	—	—	171,123	171,123
Investment fund	—	—	125,073	125,073
Total	10,862	95,940	296,196	402,998

6. FINANCIAL INSTRUMENTS (CONTINUED)

6C. FAIR VALUE (CONTINUED)

Fair value measurements recognised in the statements of financial position (Continued)

	2010			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
THE COMPANY				
Financial assets at FVTPL				
Non-derivative financial assets held for trading	8,729	—	—	8,729
Structured deposits	—	95,940	—	95,940
Available-for-sale financial assets				
Listed equity securities	197	—	—	197
Listed debenture	1,164	—	—	1,164
Investment fund	—	—	125,073	125,073
Total	10,090	95,940	125,073	231,103

There were no transfers between the three Levels during both years.

Reconciliation of Level 3 fair value measurements of financial assets

THE GROUP

	Unlisted equity securities	**Investment fund**
	HK$'000	HK$'000
At 1 January 2010	161,797	113,149
Gain recognised in other comprehensive income	9,326	27,424
Purchases	—	4,350
Return of capital contributions (note 23)	—	(19,850)
At 31 December 2010	171,123	125,073
Gains recognised in other comprehensive income	18,497	6,691
Purchases	—	8,808
Return of capital contributions (note 23)	—	(11,818)
At 31 December 2011	189,620	128,754

6. FINANCIAL INSTRUMENTS (CONTINUED)

6C. FAIR VALUE (CONTINUED)

Reconciliation of Level 3 fair value measurements of financial assets (Continued)

THE COMPANY

	Investment fund HK$'000
At 1 January 2010	113,149
Gain recognised in other comprehensive income	27,424
Purchases	4,350
Return of capital contributions (note 23)	(19,850)
At 31 December 2010	125,073
Gain recognised in other comprehensive income	6,691
Purchases	8,808
Return of capital contributions (note 23)	(11,818)
At 31 December 2011	128,754

7. REVENUE

Revenue represents the aggregate of the following amounts received and receivable during the year. An analysis of the Group's revenue for the year is as follows:

	2011 **HK$'000**	2010 HK$'000
Gross rental income	**262,614**	247,125
Sales of properties held for sale	**373,962**	—
Sales of goods	**21,919**	18,207
Interest income on structured deposits, available-for-sale investments, bank deposits and bank balances	**9,731**	10,025
Property management and agency fees	**12,918**	14,701
Hotel operation income	**43,885**	46,565
Dividend income from listed investments held for trading	**64**	72
Dividend income from an investee company	**—**	1,300
	725,093	337,995

8. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation or assessment of segment performance focuses on types of goods and services delivered or provided.

Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

1. Property investment — investment and letting of properties
2. Property development — development and sale of properties
3. Property management — provision of property management services
4. Treasury investment — dealings and investments in securities and other financial instruments
5. Trading and manufacturing — manufacture and sale of magnetic products
6. Hotel operation — management and operation of hotels

SEGMENT REVENUES AND RESULTS

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

	Property investment HK$'000	Property development HK$'000	Property management HK$'000	Treasury investment HK$'000	Trading and manufacturing HK$'000	Hotel operation HK$'000	Total HK$'000	Eliminations HK$'000	Consolidated HK$'000
For the year ended 31 December 2011									
REVENUE									
External sales	262,614	373,962	12,918	9,795	21,919	43,885	725,093	—	725,093
Inter-segment sales	—	—	6,588	—	—	—	6,588	(6,588)	—
Total	262,614	373,962	19,506	9,795	21,919	43,885	731,681	(6,588)	725,093
Segment profit (loss)	383,975	11,591	(5,669)	21,515	636	(5,948)	406,100	—	406,100
Gain on disposal of a subsidiary									51,304
Finance costs									(59,093)
Share of profit of associates									274,683
Profit before tax									672,994

8. SEGMENT INFORMATION (CONTINUED)

SEGMENT REVENUES AND RESULTS (CONTINUED)

	Property investment HK$'000	Property development HK$'000	Property management HK$'000	Treasury investment HK$'000	Trading and manufacturing HK$'000	Hotel operation HK$'000	Total HK$'000	Eliminations HK$'000	Consolidated HK$'000
For the year ended 31 December 2010									
REVENUE									
External sales	247,125	—	14,701	11,397	18,207	46,565	337,995	—	337,995
Inter-segment sales	—	—	7,254	—	—	—	7,254	(7,254)	—
Total	247,125	—	21,955	11,397	18,207	46,565	345,249	(7,254)	337,995
Segment profit (loss)	382,772	(15,779)	(5,178)	36,477	(10,683)	232	387,841	—	387,841
Finance costs									(49,952)
Share of profit of associates									230,544
Profit before tax									568,433

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned by/loss from each segment without allocation of gain on disposal of a subsidiary, share of profit of associates and finance costs. In addition, administrative cost incurred by the treasury investment segment on behalf of other segments are allocated to respective operating segments on the basis of revenues earned by individual operating segments. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

SEGMENT ASSETS AND LIABILITIES

The following is an analysis of the Group's assets and liabilities by reportable segment:

Segment assets

	2011 HK$'000	2010 HK$'000
Property investment	**5,657,321**	6,290,960
Property development	**1,108,576**	1,209,667
Property management	**1,636**	3,009
Treasury investment	**5,124,271**	4,043,885
Trading and manufacturing	**74,638**	68,345
Hotel operation	**28,673**	41,166
Total segment assets	**11,995,115**	11,657,032
Deferred tax assets	**610**	—
Consolidated assets	**11,995,725**	11,657,032

8. SEGMENT INFORMATION (CONTINUED)

SEGMENT ASSETS AND LIABILITIES (CONTINUED)

Segment liabilities

	2011 HK$'000	2010 HK$'000
Property investment	**124,143**	163,964
Property development	**171,059**	135,379
Property management	**5,996**	5,528
Treasury investment	**2,402**	668
Trading and manufacturing	**7,248**	4,562
Hotel operation	**6,049**	5,505
Total segment liabilities	**316,897**	315,606
Taxation payable	**29,055**	11,600
Borrowings	**3,356,148**	3,661,330
Deferred taxation	**596,017**	572,774
Consolidated liabilities	**4,298,117**	4,561,310

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than deferred tax assets, and all liabilities are allocated to operating segments other than taxation payable, borrowings and deferred taxation.

OTHER SEGMENT INFORMATION

	Property investment HK$'000	Property development HK$'000	Property management HK$'000	Treasury investment HK$'000	Trading and manufacturing HK$'000	Hotel operation HK$'000	Consolidated HK$'000
2011							
Capital additions (note i)	**138**	**206**	**—**	**710**	**1,578**	**368**	**3,000**
Depreciation and amortisation (note i)	**2,901**	**515**	**23**	**920**	**1,353**	**8,352**	**14,064**
Share of profit of associates (note ii)	**110**	**—**	**—**	**274,573**	**—**	**—**	**274,683**
2010							
Capital additions (note i)	94	1,281	15	1,020	817	523	3,750
Depreciation and amortisation (note i)	3,277	379	20	951	1,131	7,863	13,621
Share of profit of associates (note ii)	96	—	—	230,448	—	—	230,544

Notes:

(i) Amounts included in measure of segment profit or loss or segment assets.

(ii) Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss.

8. SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

The Group's operations are located in Hong Kong and other parts of the PRC. Certain of the Group's property investment, property development, trading and manufacturing and hotel operation businesses are located in the PRC. Others are located in Hong Kong.

The Group's revenue from external customers and information about its non-current assets by geographical location of assets are detailed below:

	Revenue		Non-current assets	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Hong Kong	**146,311**	134,892	**7,068,047**	6,665,226
Shanghai	**141,002**	130,443	**2,563,078**	2,428,587
Guangdong	**401,526**	40,277	**183,066**	347,843
Others	**36,254**	32,383	**17,037**	20,522
	725,093	337,995	**9,831,228**	9,462,178

Non-current assets excluded available-for-sale investments, structured deposits and deferred tax assets.

INFORMATION ABOUT MAJOR CUSTOMERS

There is no revenue from customers for the year ended 31 December 2011 and 2010 contributed over 10% of the total revenue of the Group.

9. INVESTMENT INCOME

Investment income earned from financial assets not designated at fair value through profit or loss is as follows:

	2011 HK$'000	2010 HK$'000
Imputed interest income on advances to an investee company	**1,953**	1,629

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on borrowings wholly repayable within five years:		
Bank loans	**67,562**	57,426
Other borrowings	**2,145**	1,792
	69,707	59,218
Less: Amount capitalised as cost of properties under development at a capitalisation rate ranged from 2.06% to 2.54% (2010: 2.83% to 7.5%) per annum	**(10,614)**	(9,266)
	59,093	49,952

11. SHARE OF PROFIT OF ASSOCIATES

	2011 HK$'000	2010 HK$'000
Share of profit of associates comprise:		
Share of profit of associates	**325,780**	275,164
Share of taxation of associates	**(52,795)**	(44,620)
Discount on acquisition of additional interest in an associate	**1,698**	—
	274,683	230,544

12. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	**29,368**	8,681
Underprovision in prior years	**3**	50
	29,371	8,731
The People's Republic of China (the "PRC")		
Enterprise Income Tax	**23,044**	10,510
Land appreciation tax ("LAT")	**7,223**	—
	30,267	10,510
	59,638	19,241
Deferred taxation (note 34)		
Current year	**22,633**	46,299
	82,271	65,540

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

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

The Group has estimated the tax provision for PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

12. INCOME TAX EXPENSE (CONTINUED)

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2011 HK$'000	2010 HK$'000
Profit before tax	**672,994**	568,433
Hong Kong Profits Tax at the rate of 16.5% (2010: 16.5%)	**111,044**	93,791
Tax effect of share of profit of associates	**(45,323)**	(38,040)
Tax effect of expenses not deductible for tax purpose	**21,430**	13,221
Tax effect of income not taxable for tax purpose	**(11,881)**	(7,418)
Underprovision in prior years	**3**	50
Tax effect of tax losses not recognised	**1,096**	55
Tax effect of utilisation of tax losses previously not recognised	**(8,446)**	(2,305)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**7,125**	6,186
PRC LAT	**7,223**	—
Tax charge for the year	**82,271**	65,540

13. PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments (note 14)	**18,475**	16,763
Other staff costs	**29,670**	33,881
Staff retirement scheme contributions, net of HK$85,000 (2010: HK$98,000) forfeited contributions	**807**	751
Total staff costs	**48,952**	51,395
Amortisation of prepaid lease payments (included in administrative and operating expenses)	**893**	893
Auditors' remuneration	**3,198**	2,135
Depreciation of property, plant and equipment	**14,064**	13,621
Operating lease rentals in respect of land and buildings	**20,416**	19,562
Loss on disposal of property, plant and equipment	**—**	11,883
Loss on change in fair value of structured deposits	**1,620**	—
and after crediting:		
Exchange gain	**40,050**	27,540
Gain on disposal of assets held for sale	**13,536**	904
Gross rental income from investment properties	**262,614**	247,125
Less: direct operating expenses from investment properties that generated rental income during the year	**(41,589)**	(31,176)
	221,025	215,949

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 13 (2010: 13) directors were as follows:

		Other emoluments			
	Fees HK$'000	Salaries and other benefits HK$'000	Performance related incentive payments (note) HK$'000	Retirement scheme contributions HK$'000	Total emoluments HK$'000
2011					
Liu Lit Mo	**120**	**7,365**	**—**	**104**	**7,589**
Liu Lit Chi	**70**	**—**	**—**	**—**	**70**
Liu Kam Fai, Winston	**70**	**3,873**	**750**	**96**	**4,789**
Lee Wai Hung	**70**	**1,872**	**300**	**86**	**2,328**
Liu Lit Chung	**70**	**1,058**	**—**	**—**	**1,128**
Liu Kwun Shing, Christopher	**70**	**1,640**	**200**	**71**	**1,981**
Andrew Liu	**70**	**—**	**—**	**—**	**70**
Liu Chun Ning, Wilfred	**70**	**—**	**—**	**—**	**70**
Lee Tung Hai, Leo	**50**	**—**	**—**	**—**	**50**
Ng Ping Kin, Peter	**100**	**—**	**—**	**—**	**100**
Cheng Mo Chi, Moses	**100**	**—**	**—**	**—**	**100**
Tong Tsin Ka	**100**	**—**	**—**	**—**	**100**
Kho Eng Tjoan, Christopher	**100**	**—**	**—**	**—**	**100**
Total	**1,060**	**15,808**	**1,250**	**357**	**18,475**
2010					
Liu Lit Man	120	—	—	—	120
Liu Lit Mo	120	7,257	—	99	7,476
Liu Lit Chi	70	—	—	—	70
Liu Kam Fai, Winston	70	3,203	300	92	3,665
Lee Wai Hung	70	1,791	100	82	2,043
Liu Lit Chung	70	1,016	—	—	1,086
Liu Kwun Shing, Christopher	70	1,516	110	67	1,763
Andrew Liu	70	—	—	—	70
Liu Chun Ning, Wilfred	70	—	—	—	70
Lee Tung Hai, Leo	100	—	—	—	100
Ng Ping Kin, Peter	100	—	—	—	100
Cheng Mo Chi, Moses	100	—	—	—	100
Tong Tsin Ka	100	—	—	—	100
Total	1,130	14,783	510	340	16,763

Note: The performance related incentive payment is determined as a percentage of the turnover of the Group for the two years ended 31 December 2011.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

b. EMOLUMENTS OF HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, four (2010: four) individuals were directors of the Company whose emoluments are included in the disclosure set out in note a above. The emoluments of the remaining highest paid individual were as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**1,209**	1,168
Retirement scheme contributions	**52**	50
	1,261	1,218

c. During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors have waived any emoluments during the year.

15. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2011 interim dividend paid at HK$0.12 (2010: 2010 interim dividend HK$0.10) per share	**45,430**	37,858
2010 final dividend paid at HK$0.15 (2010: 2009 final dividend HK$0.10) per share	**56,788**	37,858
	102,218	75,716

The final dividend of HK$0.18 in respect of the year ended 31 December 2011 (2010: final dividend of HK$0.15 in respect of the year ended 31 December 2010) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

16. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the profit for the year attributable to owners of the Company of HK$593,547,000 (2010: HK$507,958,000) and on 378,583,440 (2010: 378,583,440) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there were no potential dilutive ordinary shares in issue during the years 2010 and 2011.

17. INVESTMENT PROPERTIES

	THE GROUP	THE COMPANY
	HK$'000	HK$'000
FAIR VALUE		
At 1 January 2010	5,772,823	673,900
Currency realignment	80,090	—
Net increase in fair value recognised in profit or loss	246,543	21,800
At 31 December 2010	6,099,456	695,700
Currency realignment	118,270	—
Additions	6,394	—
Reclassification	191,604	—
Disposal through a subsidiary (note 39)	(418,695)	—
Disposal of an investment property	(25,491)	—
Transferred to a subsidiary	—	(800,000)
Net increase in fair value recognised in profit or loss	166,538	104,300
At 31 December 2011	6,138,076	—

The fair values of the Group's investment properties at 31 December 2011 and 2010 have been arrived at on the basis of valuations carried out on that date by Vigers Appraisal & Consulting Ltd. ("Vigers"), an independent firm of professional valuers not connected with the Group. The directors of Vigers are members of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

Properties under development were transferred to investment properties when there were commencement of operating leases to another party. The difference between the fair value of the property and the carrying amount at the date of transfer amounted to HK$41,929,000 is recognised in profit and loss.

All of the Group's property interests held under operating leases to earn long-term rentals are measured using the fair value model and are classified and accounted for as investment properties.

The carrying value of investment properties shown above comprises:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Properties held under:				
Long leases in Hong Kong	**3,390,900**	3,356,300	**—**	695,700
Long-term land use right in the PRC	**172,771**	337,334	**—**	—
Medium-term land use right in the PRC	**2,551,005**	2,385,122	**—**	—
Medium-term leases in Hong Kong	**23,400**	20,700	**—**	—
	6,138,076	6,099,456	**—**	695,700

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings (note) HK$'000	Plant and machinery HK$'000	Furniture, fixtures, motor vehicles and computer equipment HK$'000	Total HK$'000
THE GROUP				
COST OR VALUATION				
At 1 January 2010	4,864	46,413	108,186	159,463
Currency realignment	—	1,473	1,849	3,322
Additions	—	817	2,933	3,750
Disposals	—	(24,858)	(575)	(25,433)
Surplus on revaluation	904	—	—	904
At 31 December 2010	5,768	23,845	112,393	142,006
Currency realignment	—	981	2,621	3,602
Additions	—	1,578	1,422	3,000
Disposals	—	—	(516)	(516)
Surplus on revaluation	1,032	—	—	1,032
At 31 December 2011	6,800	26,404	115,920	149,124
Comprising:				
At cost	—	26,404	115,920	142,324
At valuation — 2011	6,800	—	—	6,800
	6,800	26,404	115,920	149,124
DEPRECIATION AND AMORTISATION				
At 1 January 2010	—	22,850	65,063	87,913
Currency realignment	—	729	595	1,324
Charged for the year	173	1,131	12,317	13,621
Eliminated on disposals	—	(13,049)	(501)	(13,550)
Eliminated on revaluation	(173)	—	—	(173)
At 31 December 2010	—	11,661	77,474	89,135
Currency realignment	—	484	1,149	1,633
Charged for the year	208	1,353	12,503	14,064
Eliminated on disposals	—	—	(516)	(516)
Eliminated on revaluation	(208)	—	—	(208)
At 31 December 2011	—	13,498	90,610	104,108
CARRYING VALUE				
At 31 December 2011	6,800	12,906	25,310	45,016
At 31 December 2010	5,768	12,184	34,919	52,871

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land and buildings (note) HK$'000	Furniture, fixtures, motor vehicles and computer equipment HK$'000	Total HK$'000
THE COMPANY			
COST OR VALUATION			
At 1 January 2010	420	13,270	13,690
Additions	—	1,020	1,020
Surplus on revaluation	38	—	38
At 31 December 2010	458	14,290	14,748
Additions	—	710	710
Disposals	—	(516)	(516)
Surplus on revaluation	97	—	97
At 31 December 2011	555	14,484	15,039
Comprising:			
At cost	—	14,484	14,484
At valuation — 2011	555	—	555
	555	14,484	15,039
DEPRECIATION AND AMORTISATION			
At 1 January 2010	—	11,267	11,267
Charged for the year	9	941	950
Eliminated on revaluation	(9)	—	(9)
At 31 December 2010	—	12,208	12,208
Charged for the year	9	910	919
Eliminated on disposals	—	(516)	(516)
Eliminated on revaluation	(9)	—	(9)
At 31 December 2011	—	12,602	12,602
CARRYING VALUE			
At 31 December 2011	555	1,882	2,437
At 31 December 2010	458	2,082	2,540

Note: This includes certain leasehold land as the allocation between the land and building element of certain properties cannot be made reliably.

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Leasehold land and buildings	Over the shorter of the term of the lease or 3%
Plant and machinery	10%
Furniture, fixtures, motor vehicles and computer equipment	10–20%

The carrying value of land and buildings of the Group and of the Company, which are all situated in the PRC, are held under medium-term land use rights.

The leasehold land and buildings of the Group were revalued on 31 December 2011 and 2010 by Vigers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

The resulting surplus arising on revaluation of the Group amounting to approximately HK$1,240,000 (2010: HK$1,077,000) has been dealt with as follows:

(i) a surplus of approximately HK$180,000 (2010: HK$252,000) has been recognised as income; and

(ii) a surplus of approximately HK$1,060,000 (2010: HK$825,000) has been credited to the property revaluation reserve.

If the land and buildings of the Group and of the Company had not been revalued, they would have been included in the consolidated financial statements at historical cost less accumulated depreciation and accumulated impairment loss of approximately HK$3,519,000 and HK$139,000 (2010: HK$3,727,000 and HK$148,000), respectively.

19. PROPERTIES UNDER DEVELOPMENT FOR SALE/PROPERTIES HELD FOR SALE

The property under development for sale and properties held for sale of HK$Nil (2010: HK$1,118,029,000) and HK$605,717,000 (2010: HK$6,518,000), respectively, are expected to be recovered within one year after the reporting date. The deposits received for the sales of these properties under development were included in the Group's statement of financial position under current liabilities as deferred income as at 31 December 2010.

The cost of property held for sale recognised as an expense during the year amounted to approximately HK$362,112,000 (2010: Nil).

Included in properties under development for sale was net interest cost capitalised of approximately HK$38,493,000 for the year ended 31 December 2010 (2011: Nil).

20. PREPAID LEASE PAYMENTS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC — medium term	**—**	30,415
Analysed for reporting purposes as:		
Current assets	**—**	893
Non-current assets	**—**	29,522
	—	30,415

21. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Cost of unlisted shares/deemed capital contribution	**496,494**	472,413
Less: Impairment loss recognised	**(204,747)**	(200,940)
	291,747	271,473

In view of the accumulated losses and net liabilities position of certain subsidiaries, the directors of the Company consider that the carrying amount of investments in these subsidiaries cannot be recoverable and accordingly the investment costs in these subsidiaries have been fully impaired.

Particulars of the Company's principal subsidiaries as at 31 December 2011 and 2010 are set out in note 46.

22. INTERESTS/INVESTMENTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost of investments in associates				
Listed in Hong Kong	**435,588**	399,223	**—**	—
Unlisted	**3**	3	**3**	3
Share of post-acquisition profits and other comprehensive income, net of dividends received	**2,900,336**	2,759,139	**—**	—
	3,335,927	3,158,365	**3**	3
Fair value of listed investments	**2,946,902**	4,495,165	**—**	—

22. INTERESTS/INVESTMENTS IN ASSOCIATES (CONTINUED)

Included in the cost of investment in associates is goodwill of HK$13,150,000 (2010: HK$13,150,000) arising on acquisition of additional interests in associates in 2007.

At the end of the reporting period, the Group conducted an impairment assessment of the associates. In determining the value in use of the interests in associate, the directors estimated the Group's share of the present value of estimated future cash flows expected to be generated by the associates, and the present value of the estimated future cash flows expected to arise from dividends to be received from the associates and from its ultimate disposal. In view of the value in use of interests in associates exceed the carrying amount of the interests in associates, the directors do not consider an impairment is necessary.

The summarised financial information in respect of the Group's associates is set out below:

	2011 **HK$'000**	2010 HK$'000
Total assets	**77,450,882**	74,293,902
Total liabilities	**(70,583,197)**	(67,711,104)
Net assets	**6,867,685**	6,582,798
The Group's share of net assets of associates	**3,371,425**	3,193,863
Revenue	**1,370,335**	1,178,890
Profit for the year	**557,628**	476,353
Other comprehensive income	**69,644**	57,945
The Group's share of profit and other comprehensive income of associates for the year	**246,766**	258,588

Particulars of the Group's principal associates as at 31 December 2011 are set out in note 47.

23. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Available-for-sale investments comprise:				
Listed investments:				
Equity securities listed outside Hong Kong, at fair value	**651**	969	**133**	197
Debenture listed outside Hong Kong with fixed interest rate of 9.5% and maturity date on 24 December 2014	**1,164**	1,164	**1,164**	1,164
Unlisted securities:				
Equity securities, at fair value	**189,620**	171,123	**—**	—
Investment funds (note)	**128,754**	125,073	**128,754**	125,073
	320,189	298,329	**130,051**	126,434
Analysed as:				
Current assets	**226**	957	**226**	957
Non-current assets	**319,963**	297,372	**129,825**	125,477
	320,189	298,329	**130,051**	126,434

As at 31 December 2011 and 2010, the unlisted equity securities represented an 10% equity investment in an entity which is engaged in the business of property development.

Note: The investment funds invested in unlisted equity securities issued by private entities incorporated in Asia Pacific region. They are measured at fair value at the end of the reporting period. Investment funds with less than 12 months operation period before voluntary liquidation from the end of reporting period are classified as current assets.

The Group and the Company have committed to contribute a pre-determined capital amount in these investment funds and the realised gains or losses of these funds are recognised in the profit or loss. During the year, the investment funds returned capital of HK$11,818,000 (2010: HK$19,850,000) to the Group and the Company and they may call upon further capital contribution if required up to the pre-determined capital amount.

24. AMOUNTS DUE FROM SUBSIDIARIES

THE COMPANY

The amounts due from subsidiaries are unsecured and have no fixed repayment terms. Of the amounts, approximately HK$4,029,185,000 (2010: HK$2,482,661,000) bears variable interest at an effective interest rate ranging from 1.63% to 1.78% (2010: 1.22% to 1.73%) per annum (repriced semi-annually) and the remaining balance is non-interest bearing. The effective interest rate used in calculating the present value of the estimated discounted future cash flows of the non-interest bearing amounts due from subsidiaries is 1.88% (2010: 1.46%).

In the opinion of the Company's directors, the amounts due from subsidiaries will not be repayable in the next twelve months from the end of the reporting period and, accordingly, the amounts have been classified as non-current assets. The carrying amount of the amounts due from subsidiaries approximate to its fair value. The credit risk on amounts due from subsidiaries is limited as the subsidiaries are in sound financial positions. There is no collateral for the amounts due from subsidiaries.

25. ADVANCES TO AN INVESTEE COMPANY

The advances are unsecured, non-interest bearing and have no fixed repayment terms. The effective interest rate used in calculating the present value of the estimated discounted future cash flows of the advances is 2.10% (2010: 1.60%).

In the opinion of the Company's directors, the investee company will not fully repay the advances in the next twelve months from the end of the reporting period and, accordingly, the advances have been classified as non-current assets. There is no collateral for the advances.

26. STRUCTURED DEPOSITS

	THE GROUP AND THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Structured deposits are analysed as:		
Current assets	**38,998**	53,040
Non-current assets	**35,744**	42,900
	74,742	95,940
Variable-rate structured deposits:		
Within one year	**38,998**	53,040
In more than one year but not more than two years	**15,293**	39,000
In more than two years but not more than five years	**16,740**	—
	71,031	92,040

26. STRUCTURED DEPOSITS (CONTINUED)

The structured deposits were designated as at FVTPL upon initial recognition. They are measured at fair value and calculated using discounted cashflow analysis at the end of the reporting period.

The amounts mainly represented variable-rate structured deposits carry interest rates at LIBOR plus a variable margin per annum. Interest rate is repriced every quarterly.

The ranges of effective interest rates on the Group's and the Company's structured deposits are as follows:

	2011	2010
Effective interest rate:		
Variable-rate structured deposits	**0.25% to 4.50%**	0.5% to 2.44%

The Group's and the Company's structured deposits that are denominated in a currency other than the functional currency of the relevant group entities are set out below:

	**Denominated in US$** HK$'000
As at 31 December 2011	74,742
As at 31 December 2010	95,940

27. INVENTORIES

	THE GROUP	
	2011 HK$'000	2010 HK$'000
The Group's inventories comprise:		
Raw materials	**1,234**	1,218
Work in progress	**3,769**	2,656
Finished goods	**9,690**	7,214
	14,693	11,088

The cost of inventories recognised as an expense during the year amounted to approximately HK$16,720,000 (2010: HK$13,393,000).

The inventories are expected to be realised in the next twelve months from the end of the reporting period.

28. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**28,157**	10,849	**—**	—
Deposits for construction costs	**36,784**	16,279	**—**	—
Other deposits, prepayments and receivables	**70,263**	58,633	**4,977**	10,546
	135,204	85,761	**4,977**	10,546

Included in the balance are trade debts of HK$28,157,000 at 31 December 2011 (2010: HK$10,849,000), further details of which are set out below.

The Group's credit policy allows its trade customers an average credit period of 30–90 days, other than customers from sales of properties which the proceeds are settled in accordance with the sale and purchase agreements, normally within 60 days from the date of agreement. The aged analysis of trade receivables of HK$28,157,000 (2010: HK$10,849,000) presented based on the invoice date at the end of the reporting period which are included in trade receivables is as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Within 30 days	**2,836**	3,984
Between 31 days to 90 days	**3,082**	4,243
Over 90 days	**22,239**	2,622
	28,157	10,849

The Company had no trade receivables at the end of the reporting period.

All of the Group's trade receivables are denominated in functional currency of its individual entities of the Group.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance are debtors with an aggregate carrying amount of HK$22,239,000 (2010: HK$2,622,000) which were past due and aged over 90 days at the reporting date but for which the Group has not provided for impairment loss because management considers that the fundamental credit quality of these customers has not deteriorated. The Group does not hold any collateral over these balances.

29. INVESTMENTS HELD FOR TRADING

These are equity securities listed on The Stock Exchange of Hong Kong Limited and were stated at fair value at the end of the reporting period. The fair value of equity securities are determined with reference to quoted market prices.

30. FIXED BANK DEPOSITS WITH MORE THAN THREE MONTHS TO MATURITY WHEN RAISED/BANK ACCOUNTS WITH CHONG HING BANK LIMITED AND ITS SUBSIDIARIES/OTHER BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.025% to 0.050% (2010: 0.025% to 0.050%) per annum. The fixed deposits carry fixed interest rates ranging from 0.20% to 1.85% (2010: 0.02% to 1.70%) per annum.

The Group's and the Company's bank balances and fixed deposits that are denominated in currencies other than the functional currency of the relevant group entity are set out below:

	THE GROUP		THE COMPANY	
	Denominated in RMB	**Denominated in US$**	**Denominated in RMB**	**Denominated in US$**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2011	155,971	130,297	155,971	130,297
As at 31 December 2010	44,169	184,351	44,169	184,351

31. ASSETS HELD FOR SALE

	THE GROUP
	HK$'000
At 1 January 2010	268
Currency realignment	33
Disposals	(201)
At 31 December 2010	100
Currency realignment	15
Disposals	(115)
At 31 December 2011	—

32. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**10,829**	10,565	**—**	—
Construction costs payables	**199,415**	22,691	**—**	—
Deposits received and receipt in advance in respect of rental of investment properties	**84,032**	74,416	**169**	1,504
Other payables	**22,621**	73,036	**8,044**	8,286
	316,897	180,708	**8,213**	9,790

At the end of the reporting period, included in trade and other payables are trade payables of HK$10,829,000 (2010: HK$10,565,000) and the aged analysis of which presented based on the invoice date is as follows:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Within 30 days	**10,829**	10,565

The Company had no trade payables at the end of the reporting period.

The average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

33. BORROWINGS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank loans				
Secured	**636,599**	886,285	**238,854**	365,589
Unsecured	**2,691,489**	2,754,148	**2,691,489**	2,754,148
Total bank borrowings	**3,328,088**	3,640,433	**2,930,343**	3,119,737
Amounts due to associates (note (i))	**1,394**	1,174	**1,394**	1,174
Amounts due to non-controlling interests shareholders (note (ii))	**26,666**	19,723	**—**	—
	3,356,148	3,661,330	**2,931,737**	3,120,911
The maturity of borrowings is as follows:				
Carrying amount repayable*:				
Within one year	**1,090,317**	1,753,400	**1,049,171**	1,575,441
More than one year but not exceeding two years	**690,093**	1,364,895	**621,506**	1,022,157
More than two years but not exceeding five years	**1,367,678**	442,138	**1,079,666**	442,139
	3,148,088	3,560,433	**2,750,343**	3,039,737
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**180,000**	80,000	**180,000**	80,000
Amounts due to associates	**1,394**	1,174	**1,394**	1,174
Amounts due to non-controlling interests shareholders	**26,666**	19,723	**—**	—
	3,356,148	3,661,330	**2,931,737**	3,120,911
Amount due within one year shown under current liabilities				
— Bank borrowings	**1,270,317**	1,833,400	**1,229,171**	1,655,441
— Amounts due to associates	**1,394**	1,174	**1,394**	1,174
— Amounts due to non-controlling interests shareholders	**26,666**	19,723	**—**	—
	1,298,377	1,854,297	**1,230,565**	1,656,615
Amounts due after one year				
— Bank borrowings	**2,057,771**	1,807,033	**1,701,172**	1,464,296

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

33. BORROWINGS (CONTINUED)

Notes:

(i) These borrowings are unsecured, bear variable interest at an effective interest rate ranging from 0.05% to 0.10% (2010: 0.05% to 0.25%) per annum (repriced monthly) and repayable on demand.

(ii) These borrowings are unsecured and repayable on demand, an amount of approximately HK$16,639,000 (2010: HK$9,968,000) bears variable interest at an effective interest rate of 5.00% (2010: 5.00%) per annum (repriced monthly), while the remaining amounts are non-interest bearing.

The Group's borrowings that are denominated in a currency other than the functional currency of the relevant group entities are set out below:

	**Denominated in HK$** HK$'000
As at 31 December 2011	256,833
As at 31 December 2010	370,000

All of the bank loans are variable-rate borrowings which carry interest at HIBOR plus a margin per annum. The effective interest rate is ranged from 1.62% to 5.38% (2010: 0.48% to 2.43%) per annum. Interest rates are repriced monthly. Details of assets pledged are set out in note 40.

34. DEFERRED TAXATION

For the purpose of presentation in the statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	THE GROUP		THE COMPANY	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Deferred tax assets	**610**	—	**610**	—
Deferred tax liabilities	**(596,017)**	(572,774)	**—**	(69,720)
	(595,407)	(572,774)	**610**	(69,720)

34. DEFERRED TAXATION (CONTINUED)

The following are the major deferred tax liabilities and assets recognised by the Group and the Company, movements thereon during the current and prior years.

	Accelerated tax depreciation	Revaluation of properties	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP				
At 1 January 2010	25,611	506,683	(5,819)	526,475
Charge (credit) to profit or loss	489	46,502	(692)	46,299
At 31 December 2010	26,100	553,185	(6,511)	572,774
(Credit) charge to profit or loss	(465)	23,905	(807)	22,633
At 31 December 2011	25,635	577,090	(7,318)	595,407
THE COMPANY				
At 1 January 2010	28,370	35,954	—	64,324
(Credit) charge to profit or loss	(167)	5,563	—	5,396
At 31 December 2010	28,203	41,517	—	69,720
Credit to profit or loss	(28,813)	(41,517)	—	(70,330)
At 31 December 2011	(610)	—	—	(610)

At the end of the reporting period, the Group had unused tax losses of HK$276 million (2010: HK$320 million) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$44 million (2010: HK$39 million) of such losses. No deferred tax asset has been recognised in respect of the remaining tax loss of HK$232 million (2010: HK$281 million) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

The Company had no unused tax losses at the end of the reporting period.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$9,687,000 (31 December 2010: HK$5,331,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

35. NON-INTEREST BEARING ADVANCES FROM SUBSIDIARIES

The amounts are unsecured, non-interest bearing and are not repayable in the next twelve months from the end of the reporting period. Accordingly, the amounts have been classified as non-current liabilities. The effective interest rate used in calculating the present value of the estimated discounted future cash flows of these advances is 1.88% (2010: 1.46%) per annum.

36. SHARE CAPITAL

	Number of shares 2011 & 2010	Share capital 2011 & 2010 HK$'000
Ordinary shares of HK$1 each		
Authorised:		
At 1 January and 31 December	600,000,000	600,000
Issued and fully paid:		
At 1 January and 31 December	378,583,440	378,583

37. RESERVES

	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Accumulated profits HK$'000	Total HK$'000
THE COMPANY					
At 1 January 2010	295	18,616	2,955	1,478,626	1,500,492
Gain on revaluation of leasehold land and building	47	—	—	—	47
Fair value gain on available-for-sale investments	—	27,481	—	—	27,481
Profit for the year	—	—	—	19,288	19,288
Total comprehensive income for the year	47	27,481	—	19,288	46,816
Dividends recognised as distribution	—	—	—	(75,716)	(75,716)
At 31 December 2010	342	46,097	2,955	1,422,198	1,471,592
Gain on revaluation of leasehold land and building	106	—	—	—	106
Fair value gain on available-for-sale investments	—	6,628	—	—	6,628
Profit for the year	—	—	—	470,545	470,545
Total comprehensive income for the year	106	6,628	—	470,545	477,279
Dividends recognised as distribution	—	—	—	(102,218)	(102,218)
At 31 December 2011	448	52,725	2,955	1,790,525	1,846,653

38. SHARE OPTION SCHEME

The Company's existing share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 25 April 2002, for the primary purpose of providing incentives to directors and eligible employees, and will expire on 24 April 2012. Under the Scheme, the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company at HK$10 per option. Additionally, the Company may, from time to time, grant share options to outside eligible third parties at the discretion of the Board of Directors.

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The number of shares in respect of which options may be granted to any individual is not permitted to exceed 10% of the shares of the Company in issue at any point in time.

Options may be exercised at any time from the date of grant of the share option to the 5th anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the Company's share on the date of grant, the average closing price of the shares for the five business days immediately preceding the date of grant, or the closing price of the shares on the date of grant.

No options have been granted under the Scheme since the Scheme was adopted.

39. DISPOSAL OF A SUBSIDIARY

On 23 May 2011, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Prime Ocean Development Limited ("Prime Ocean") which held an investment property in the PRC. The purpose of the disposal is to generate cash for the expansion of the Group's other businesses. The disposal was completed on 23 May 2011, resulting in a gain on disposal of HK$51,304,000, arrived at as follows:

	HK$'000
Total cash consideration received	418,695
Assets and liabilities of Prime Ocean at the date of disposal:	
Investment property	418,695
Other receivables	3,320
Other payables	(54,624)
Net assets disposed	367,391
Gain on disposal	51,304
Net cash inflow arising on disposal:	
Total cash consideration received	418,695

40. PLEDGE OF ASSETS

At the end of the reporting period, the assets shown as below were pledged to banks to secure general banking facilities made available to the Group and the Company.

	THE GROUP		THE COMPANY	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
CARRYING VALUE				
Investment properties	**3,969,505**	4,098,637	**—**	695,700
Prepaid lease payments	**—**	30,415	**—**	—
	3,969,505	4,129,052	**—**	695,700

In addition, the Company also pledged the shares of a subsidiary in favour of a bank in support of the facilities granted to that subsidiary.

41. COMMITMENTS

	THE GROUP AND THE COMPANY	
	2011 HK$'000	2010 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— contributions to the capital of investment funds	**179,252**	152,977

42. OPERATING LEASE COMMITMENTS

THE GROUP AS LESSEE

At the end of the reporting period, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**16,340**	24,603	**192**	12,425
In the second to fifth year inclusive	**67,247**	50,651	**272**	80
In more than five years	**83,682**	68,375	**—**	—
	167,269	143,629	**464**	12,505

Operating lease payments represent rentals payable for certain of the Group's office, hotel premises and staff quarters. Leases are negotiated for a range of one to sixteen years and rentals are fixed throughout the leases period.

THE GROUP AS LESSOR

Property rental income earned by the Group during the year amounted to approximately HK$263 million (2010: HK$247 million). Most of the properties held have committed tenants for the next one to five years.

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

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**210,419**	227,064	**402**	18,175
In the second to fifth year inclusive	**233,750**	254,777	**183**	12,502
In more than five years	**—**	7,005	**—**	—
	444,169	488,846	**585**	30,677

43. RETIREMENT BENEFITS SCHEMES

For its eligible employees in Hong Kong, the Group operates two defined contribution schemes — the scheme registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and the scheme registered under the Mandatory Provident Fund Scheme (the "MPF Scheme"). The ORSO Scheme is closed to new entry and newly eligible employees are required to join only the MPF Scheme.

Contributions payable by the Group to both the ORSO Scheme and the MPF Scheme are determined based on the rules underlying the respective schemes and are charged to consolidated statement of comprehensive income. The assets of both schemes are held separately from those of the Group, in funds under the control of trustees.

In addition, certain employees of the Group's subsidiaries established in the PRC are members of state-managed retirement benefits schemes. The subsidiaries are required to contribute a certain percentage of their payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions.

44. CONNECTED AND RELATED PARTY DISCLOSURES

(A) RELATED PARTY TRANSACTIONS

During the year, the Group and the Company entered into the following significant transactions with related parties:

	THE GROUP		THE COMPANY	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Income received and receivable from associates				
Rental income	**12,473**	11,969	**4,336**	11,969
Management and other service fee income	**5,390**	5,373	**1,783**	5,373
Interest income	**891**	1,302	**891**	1,302
	18,754	18,644	**7,010**	18,644
Expenses paid and payable to an associate				
Interest expenses	**1**	1	**1**	1
Rental expenses	**4,227**	4,227	**4,017**	4,227
	4,228	4,228	**4,018**	4,228
Income received and receivable from subsidiaries				
Management and other service fee income	**—**	—	**1,584**	1,584
Interest income	**—**	—	**86,173**	67,376
	—	—	**87,757**	68,960
Expenses paid and payable to subsidiaries				
Management fee expenses	**—**	—	**264**	264

At the end of the reporting period, the Company had financial guarantees issued to a bank in support of banking facilities granted to subsidiaries, details of which are set out in note 45.

44. CONNECTED AND RELATED PARTY DISCLOSURES (CONTINUED)

(B) CONNECTED PARTY TRANSACTIONS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Expenses paid and payable to companies held by directors of the Company				
Rental expenses	**5,400**	5,400	**5,400**	5,400
Architecture and other consultancy service fee	**1,010**	—	**—**	—

(C) RELATED PARTY BALANCES

Details of the Group's and the Company's outstanding balances with related parties, including bank accounts with Chong Hing Bank and its subsidiaries, at 31 December 2011, are set out in the statements of financial position and notes 24, 25, 30, 33 and 35.

(D) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The emoluments of key management personnel of the Group during the year were as follows:

	THE GROUP AND THE COMPANY	
	2011	2010
	HK$'000	HK$'000
Short-term benefits	**18,118**	16,423
Post-employment benefits	**357**	340
	18,475	16,763

The emoluments of directors and key executives are determined by the remuneration committee having regard to the performance of individuals and market trends.

45. CONTINGENT LIABILITIES

As at 31 December 2011, the Company had financial guarantees given to a bank in support of banking facilities granted to subsidiaries. The aggregate amounts that the Company could be required to pay if the guarantees were called upon in entirety amounted to HK$696,700,000 (2010: HK$967,100,000), of which an amount of HK$397,743,000 (2010: HK$520,695,000) was utilised by the subsidiaries and recognised in the Group's statement of financial position as liabilities. The directors of the Company considered that the fair value of such guarantees on initial recognition was insignificant.

At 31 December 2011, the Group provided guarantees of HK$112,790,000 (2010: HK$36,510,000) to banks in favour of its customers in respect of the mortgage loans provided by the banks to such customers for the purchase of the Group's developed properties. These guarantees provided by the Group to the banks would be released upon receiving the building ownership certificate of the respective property by the banks from the customers as a pledge for security to the mortgage loans granted. The directors of the Company considered that the fair value of such guarantees on initial recognition was insignificant.

46. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operations	Issued ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2011 %	2010 %	**2011** %	2010 %	
Liu Chong Hing Estate Company, Limited	Hong Kong	HK$10,000,000	**100**	100	**—**	—	Investment holding
Liu Chong Hing Godown Company, Limited	Hong Kong	HK$72,000,000	**100**	100	**—**	—	Property investment
Liu Chong Hing Property Management and Agency Limited	Hong Kong	HK$1,000,000	**100**	100	**—**	—	Property management and agency
Abaleen Enterprises Limited	Hong Kong	HK$100,000	**100**	100	**—**	—	Property investment
Alain Limited	Hong Kong	HK$9,500	**100**	100	**—**	—	Investment holding
Bonsun Enterprises Limited	Hong Kong	HK$2,000,000	**100**	100	**—**	—	Property investment
Chong Yip Finance Limited	Hong Kong	HK$1,000,000	**100**	100	**—**	—	Money lending
Devon Realty Limited	Hong Kong	HK$200	**100**	100	**—**	—	Property investment
Donington Company Limited	Hong Kong	HK$200	**100**	100	**—**	—	Property investment
EC Architecture & Design Company Limited	Hong Kong	HK$100	**—**	—	**90**	90	Property development consultancy
Gem Gain Enterprises Limited	Hong Kong	HK$30	**100**	100	**—**	—	Investment holding
Great Earnest Limited	Hong Kong	HK$200	**100**	100	**—**	—	Property investment
Heng Kin Investment Limited	Hong Kong	HK$2	**100**	100	**—**	—	Property investment
Hugh Glory Limited	Hong Kong	HK$100	**—**	—	**90**	90	Investment holding
Hugh Wealth International Limited	Hong Kong	HK$100	**100**	100	**—**	—	Investment holding
Jacot Limited	Hong Kong	HK$2	**100**	100	**—**	—	Investment holding
Ko Yew Company Limited	Hong Kong	HK$200	**100**	100	**—**	—	Property investment
Luxpolar Limited	Hong Kong	HK$2	**—**	—	**100**	100	Property investment
Marble Kingdom Limited	Hong Kong	HK$2	**100**	100	**—**	—	Investment holding
Queen Profit International Investment Limited	Hong Kong	HK$61,540	**83.75**	83.75	**—**	—	Investment holding
Speed World Investment Limited	Hong Kong	HK$100	**—**	—	**60**	60	Investment holding
Top Team Limited	Hong Kong	HK$200	**100**	100	**—**	—	Investment holding
Trade Castle Limited	Hong Kong	HK$1	**—**	—	**100**	—	Investment holding
Truegrow Investments Limited	Hong Kong	HK$1	**—**	—	**100**	100	Investment holding
Wealth Good Investment Limited	Hong Kong	HK$2	**100**	100	**—**	—	Investment holding
Yue Tung Ching Kee Company Limited	Hong Kong	HK$2,000,000	**100**	100	**—**	—	Property investment

46. PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation or establishment/ operations	Issued ordinary share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company				Principal activities
			Directly		Indirectly		
			2011 %	2010 %	**2011** %	2010 %	
Foshan Nanhai Hugh Glory Property Development Company Limited ("Foshan Hugh Glory")	PRC	RMB500,000,000	**—**	—	**90**	90	Property development
Guangzhou Chong Hing Property Development Company Limited ("Guangzhou Chong Hing")	PRC	RMB170,000,000	**—**	—	**60**	60	Property development
Guangzhou Trade Castle Property Consultancy Limited ("Guangzhou Trade Castle")	PRC	HK$6,500,000	**—**	—	**100**	—	Property investment
Guangzhou Wealth Smart Property Management Company Limited ("Guangzhou Wealth Smart")	PRC	HK$1,000,000	**—**	—	**100**	100	Property management
Maanshan Gaoke Magnetic Material Company Limited ("Maanshan Gaoke")	PRC	RMB65,370,000	**—**	—	**51.5**	51.5	Manufacturing of magnetic materials
Shanghai Huang Pu Liu Chong Hing Property Development Company Limited ("Shanghai Huang Pu")	PRC	US$34,600,000	**—**	—	**95**	95	Property investment
Shanghai Truegrow Hotel Management Company Limited ("Shanghai Truegrow")	PRC	RMB32,500,000	**—**	—	**100**	100	Hotel operation and management
Blossom Success Investments Limited	British Virgin Islands/ Hong Kong	US$1	**100**	—	**—**	—	Investment holding
China Link Technologies Limited	British Virgin Islands/ Hong Kong	US$100	**100**	100	**—**	—	Investment holding
Determined Resources Limited	British Virgin Islands/ Hong Kong	US$1,000	**100**	100	**—**	—	Share investment
Terryglass Limited	British Virgin Islands/ Thailand	US$1,000	**100**	100	**—**	—	Investment holding

Guangzhou Chong Hing is a sino-foreign cooperative enterprise while Maanshan Gaoke and Shanghai Huang Pu are sino-foreign equity joint ventures established in the PRC.

Foshan Hugh Glory, Guangzhou Trade Castle, Guangzhou Wealth Smart and Shanghai Truegrow are sole foreign equity ventures established in the PRC.

46. PRINCIPAL SUBSIDIARIES (CONTINUED)

None of the subsidiaries had any debt securities outstanding during the year and at the end of the reporting period.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

47. PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates as at 31 December 2011 and 2010 are as follows:

Name of associate	Form of business structure	Place of incorporation/ operations	Class of share held	Proportion of nominal value of issued capital held by the Group		Proportion of voting power held		Principal activities
				2011	2010	**2011**	2010	
Chong Hing Bank Limited (listed in Hong Kong)	Incorporated	Hong Kong	Ordinary	**49.09%**	48.52%	**49.09%**	48.52%	Banking business
Falconmate Limited	Incorporated	Hong Kong	Ordinary	**50%**	50%	**50%**	50%	Property investment

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

This report is printed on environmental paper 03/2012

廖創興企業有限公司
LIU CHONG HING INVESTMENT LIMITED

25/F Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong
Tel: (852) 3768 9038
Fax: (852) 3768 9008
E-mail: info@lchi.com.hk
Website: www.lchi.com.hk
Stock Code: 194