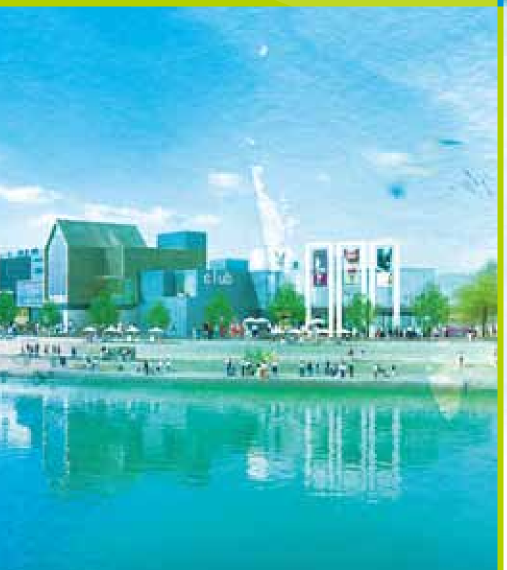
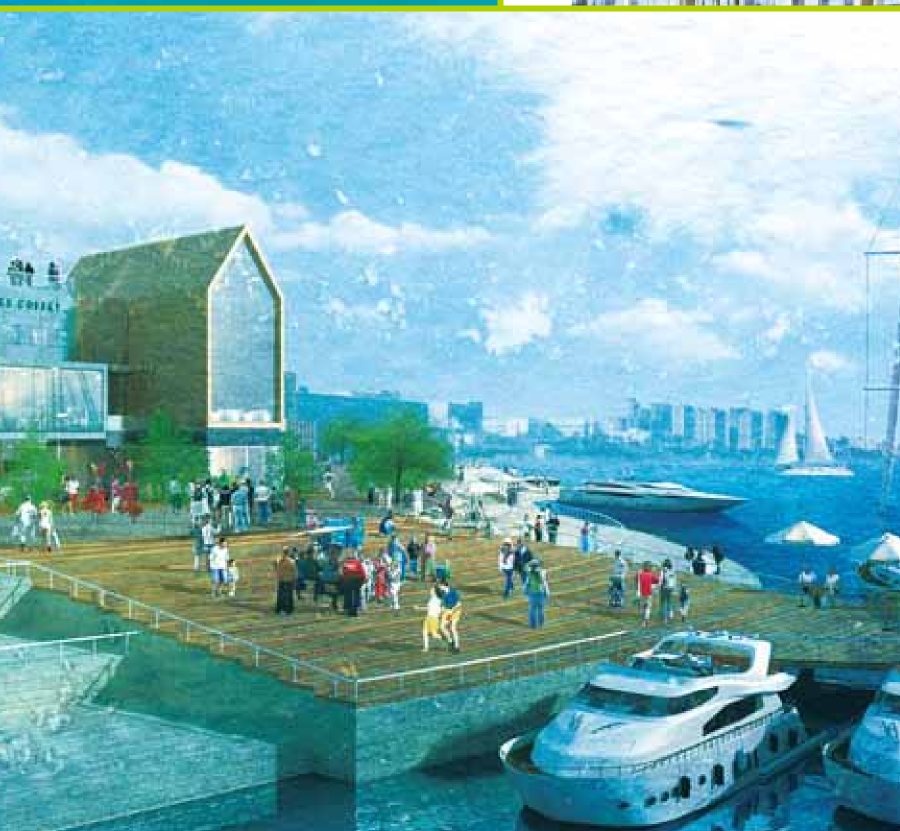
Annual Report 2011





# 東方銀座控股
Oriental Ginza Holdings

**Oriental Ginza Holdings Limited**

Stock Code : 00996

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhou Cheng Rong *(Chairman)*
Mr. Xu Yi
Mr. Wu Hong Guang
Mr. Dai Peng
Mr. Lo Kai Bong
Mr. Gong Xiao Cheng
Mr. Hon Ming Sang

### Independent Non-executive Directors

Mr. Chan Wai Yip Freeman
Mr. Ng Ka Chung Simon
Ms. Leung Po Ying Iris

## AUDIT COMMITTEE

Mr. Chan Wai Yip Freeman *(Chairman)*
Mr. Ng Ka Chung Simon
Ms. Leung Po Ying Iris

## REMUNERATION COMMITTEE

Mr. Chan Wai Yip Freeman *(Chairman)*
Mr. Ng Ka Chung Simon
Ms. Leung Po Ying Iris

## NOMINATION COMMITTEE

Mr. Chan Wai Yip Freeman *(Chairman)*
Mr. Lo Kai Bong
Mr. Ng Ka Chung Simon

## COMPANY SECRETARY

Mr. Hon Ming Sang

## LEGAL ADVISORS

Hastings & Co.
K&L Gates
Fairbairn Catley Low & Kong

## AUDITORS

HLB Hodgson Impey Cheng
*Chartered Accountants*
*Certified Public Accountants*

## REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 903B-05, 9/F, Great Eagle Centre
23 Harbour Road, Wanchai, Hong Kong

## REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## PRINCIPAL BANKERS

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

## CONTACTS

Telephone: (852) 2877 7722
Facsimile: (852) 2877 5522
Website: www.orientalginza.com

# Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors", each a "Director") of Oriental Ginza Holdings Limited (the "Company"), I take pleasure to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

For the financial year ended 31 December 2011, the Group recorded a consolidated net loss of approximately HK$77.5 million as compared to the net loss of approximately HK$1.9 million for the last corresponding year. The substantial increase in net loss were due to (i) about HK$233.4 million decrease in the sales of properties and rental income due to the disposal of the subsidiaries holding properties in Beijing in 2010; and (ii) about HK$85.6 million fair value losses on held for trading investments during the year.

The Group undertakes portfolio investments of listed securities during the year under review. The spreading of European sovereign debt crisis undoubtedly affected the investment atmosphere within the capital market and the Group was unavoidable to record net fair value losses of approximately HK$85.6 million and the Group recorded a negative revenue for the year amounted to approximately HK$12.6 million. The Group believes that the uncertainties over the European sovereign debt crisis will remain in 2012. Due to the unstable economic environment, the management will adopt a more prudent investment strategy in the future. On the other hand, the Group recovered an impairment loss of other receivables approximately HK$51.2 million. The basic loss per share for the year was HK$0.059. There was a significant increase in loss per share compared to last corresponding year owing to the fair value losses on held for trading investments. The Board does not recommend the payment of any final dividend for the 12 months ended 31 December 2011.

The year 2011 represented an important milestone in the course of the development of the Group. The Group has been mainly engaged in property-related business and it first became engaged in the business of gasoline and diesel after it had completed the acquisition of 51% of the equity interest in Wide Merit Limited ("Wide Merit") and its shareholder's loan on 28 April 2011. Wide Merit and its subsidiaries (the "Wide Merit Group") are principally engaged in the research and development, manufacturing and sale of high clean unleaded gasoline and diesel in People's Republic of China (the "PRC"). Notwithstanding that the Group is optimistic to the high clean unleaded gasoline and diesel business in the long run due to the rapid urbanisation and the increasing environmental awareness in the PRC. The time and effort for managing business had been much more demanding than expected. The production was behind schedule, which affected the performance of the business, as more time was needed for streamlining the business operations as well as taking up the management functions of the Wide Merit Group. Therefore, the Group decided to dispose of the business and completed the disposal on 8 February 2012.

Apart from exploring new business, the Company had completed a very substantial acquisition of a large properties investment and development project in Qingdao, the PRC, on 21 December 2011 with a view to diversify its property investments into different provinces in the PRC. The Group is optimistic about the prospect of the property market in Qingdao and believes that the properties will deliver attractive return from sales of residential units and generate recurring rental income from the commercial units for the Group. Moreover, the Group entered into a sale and purchase agreement for the disposal of subsidiaries operating in property investment business in Chongqing in March 2012 to reallocate the Group's resources to focus on the development of Qingdao property project and to increase the liquidity of the Group.

# Chairman's Statement

Our retail-related consultancy and management services faced great challenges in years 2010 and 2011. Operating tenants experienced difficulties in their business operations. As large number of commercial centre service companies operates in Beijing recently, it triggered a keen competition among the rivals. In addition, clients became reluctant either to renew or enter into new service contracts with us. We expect the general performance in this area of our business operation will continue to be tough in the coming years and therefore the Group entered into a sale and purchase agreement with an independent third party to dispose of the subsidiaries which were principally engaged in the provision of retail-related consultancy and management services in Beijing, the PRC in March 2012.

2012 will be a challenging year. At the 11th National People's Congress of the PRC held in March 2012, Premier Wen Jiabao delivered his work report and it mentioned that China sets its Gross Domestic Product (the "GDP") growth rate at 7.5% for 2012. This is the first time for the PRC government to lower its economic growth target after keeping it around 8% for seven consecutive years. The government targets to make progress while maintaining stability on the PRC's economic development. It is also expected that the PRC property market will face austerity as the PRC government will continue to regulate the real estate market to bring down property prices to a reasonable level, announced by the PRC government at the Central Economic Work Conference in December 2011. Despite the slowdown of the PRC economy, the global financial crisis is still evolving. The European sovereign debt crisis in some countries will not ease in a short period of time.

In spite of current economic uncertainties, both international and the PRC, the Group are still confident with the PRC property market in the long run as it is supported by strong demand driven by the hasty urbanisation and expectation for improved living standard of the PRC population. With the newly acquired property project in Qingdao, which has great potential growth, the Group is prepared to reap a satisfactory return for its shareholders in the years to come.

Taking this opportunity, I would like to express my sincere gratitude to our shareholders and business partners for their invaluable support to the Group. I am also grateful for our Directors, senior management and staff for their dedicated service and contributions.

**Zhou Cheng Rong**
*Chairman*

28 March 2012

# Management Discussion and Analysis

## CORPORATE OVERVIEW

The principal businesses of the Group are (i) property rental activities; (ii) property investment; (iii) retail-related consultancy and management services; (iv) trading and investment business; and (v) research and development, manufacturing and sale of high clean unleaded gasoline and diesel.

### Acquisition of subsidiaries

During the year 2011, the Group completed the following acquisitions with a view to diversify its property portfolio into different provinces in the PRC and improving the profitability of the Group, the Group has been actively exploring investment opportunities in the PRC property market.

On 28 April 2011, the Group completed the acquisition of 51% of the equity interest in Wide Merit Limited ("Wide Merit") and its shareholder's loan with a total cash consideration of HK$489.6 million. Reference is made to the announcements of the Company dated 17 January 2011 and 14 March 2011 and the circular of the Company dated 28 March 2011. Wide Merit and its subsidiaries are principally engaged in the research and development, manufacturing and sale of high clean unleaded gasoline and diesel in the PRC.

On 21 December 2011, the Group completed the acquisition of 100% equity interest in Easy Linkage Development Limited ("Easy Linkage") and its shareholder's loan with the consideration of HK$4,300 million. Under the agreement, the consideration shall be settled at face value by (i) HK$1,250 million in cash; (ii) the issuance of HK$450 million consideration shares; (iii) the issuance of HK$1,500 million convertible notes; and (iv) the issuance of HK$1,100 million promissory notes by the Company. Reference is made to the announcements of the Company dated 6 October 2011, 9 December 2011 and 22 December 2011 and the circular of the Company dated on 23 November 2011.

Easy Linkage is an investment holding company and indirectly holds 60% equity interest in Sea Carnival (Qingdao) Advanced Property Development Company Limited ("Sea Carnival"). Sea Carnival holds the entire equity interest in Qingdao Haiwanhaoting Property Management Company Limited ("Haiwanhaoting").

Sea Carnival holds three parcels of land (the "Land"), with the land use right, located at Huangdao District (黃島區), Qingdao (青島市), Shandong Province (山東省), at the west of Jiangshan South Road (江山南路) and south of Binhai Road (濱海路) with an aggregate site area of approximately 348,900m2. The Land has been planned to be developed into a composite residential, hotel and commercial development.

Sea Carnival's wholly owned subsidiary, Haiwanhaoting, is a company with a scope of business involving property management, cleaning services, greening works and property renovation.

Management Discussion and Analysis

## Disposal of subsidiaries

In order to reallocate the Group's resources for focusing on the development of the property project in Qingdao, the Group entered into agreements for disposal of the retail-related consultancy and management services business in Beijing and the investment property business in Chongqing at the beginning of 2012. The Group believes that the disposal of subsidiaries will provide the Group with opportunities to realise its investments which would increase the liquidity of the Group.

On 8 February 2012, the Group completed the disposal of 100% equity interest in and its shareholder's loan due by Virtue Link Investments Limited ("Virtue Link") with the total cash consideration of HK$380 million. Reference is made to the announcement of the Company dated 6 January 2012. The disposal constituted a discloseable transaction. The reason of the disposal of Virtue Link was that the gasoline and diesel production was behind schedule, which affected the performance of business, as more time was needed for streamlining the business operations as well as taking up the management functions of this business. Accordingly, the Group decided to discontinue the business segment during the year.

On 8 March 2012, the Group entered into a sale and purchase agreement to dispose of its entire equity interest in Sundynasty International Limited ("Sundynasty") with total cash consideration of HK$4 million. Reference is made to the announcement of the Company dated 8 March 2012. The disposal constituted a discloseable transaction. Sundynasty and its subsidiaries were principal engaged in offering comprehensive retail-related consultancy and management services to its clients, encompassing different service areas including development and planning consultancy services for shopping malls, advertising and promotion consultancy services and operation of retail premises and store management services.

On 21 March 2012, the Group entered into a sale and purchase agreement to dispose of 100% equity interest in and its shareholder's loan due by Angel Fay Limited ("Angel Fay") with total cash consideration of HK$220 million. Reference is made to the announcement of the Company dated 21 March 2012. The disposal constituted a discloseable transaction. Angel Fay and its subsidiary were principally engaged in property investment in Chongqing, the PRC.

## BUSINESS REVIEW

Compared to 2010, the growth in the PRC property market slowed down in 2011 due to the austerity measures for cooling down the overheating pricing. In addition to the property-tightening policy, the PRC investment environment was battered by the European as well as American sovereign debts crisis. It is expected that the PRC economy and the property market will remain a conservative growth in 2012 as the PRC government and a number of local governments have announced that the regulatory measures on the property market would continue in the coming year.

Though the PRC property market is under tight control, the Group is still optimistic about the real estate market in the PRC. The Group has identified a large property investment and development project with potential returns in Qingdao and expects this project will bring positive contributions to the Group.

Management Discussion and Analysis

## Property Investment

The Group's investment property portfolio comprising portions of Taipingyang Plaza (太平洋廣場) ("Taipingyang Plaza") on Shangqingsi Road (上清寺路) in Yuzhong District (渝中區), Chongqing, the PRC and various properties located in Shenyang of Liaoning Province, the PRC, covers a total gross area of approximately 60,200m$^2$, with approximately 13,300m$^2$ or 22% of the total gross area being retail space, approximately 39,900m$^2$ or 66% of the total gross area being office space, approximately 1,700m$^2$ or 3% of the total gross area being residential units and approximately 5,300m$^2$ or 9% of the total gross area being car park spaces. Rental income for the year ended 31 December 2011 was approximately HK$18.5 million.

Taipingyang Plaza consists of an office tower and a residential tower built over a 2-storey commercial podium and a 2-level basement car parks. The whole office tower and portions of the residential tower together with portions of the commercial podium and the whole 2-level basement car parks belong to our Group. The complex has a total gross area of approximately 28,900m$^2$ (offices: approximately 23,200m$^2$, residential units: approximately 400m$^2$ and car park spaces: approximately 5,300m$^2$).

Properties in Shenyang of Liaoning Province, the PRC with gross area of approximately 31,300m$^2$ comprise six retail shops which have a gross area of approximately 13,300m$^2$, seven office units which have a gross area of approximately 16,700m$^2$, and four residential units which have a gross area of approximately 1,300m$^2$.

## Properties under Development for Sale

The Group's properties under development portfolio comprising the properties under development which is located in Huangdao District (黃島區), Qingdao (青島市), Shandong Province (山東省), at the west of Jiangshan South Road (江山南路) and south of Binhai Road (濱海路), near the central business district of the Huangdao Economic and Technological Development Zone of Shandong Province (黃島經濟技術開發區), opposite to the China University of Petroleum (中國石油大學), and north of the Tangdao Bay (唐島灣). The properties under development of the Land having a total site area of approximately 348,900m$^2$. The Group intends to develop residential units, shopping arcades, hotels and recreational facilities with an aggregate gross floor area of approximately 765,800m$^2$ on the Land. In 2011, 600 residential units having an aggregate gross floor area of approximately 96,000m$^2$ (the "Phase I") have been entered into pre-sale contracts and the proceeds from the Phase I units amounted to approximately HK$1,617.0 million.

## Retail-related Consultancy and Management Services

The Group offers comprehensive retail-related consultancy and management services to its clients, encompassing different service areas including development and planning consultancy services for shopping malls, advertising and promotion consultancy services and operation of retail premises and store management services. During the year 2011, the Group managed a total floor area of approximately 41,000m$^2$ of retail premises operated by individual operators under different business themes.

## Management Discussion and Analysis

Total revenue from the Group's retail-related consultancy and management services sector was approximately HK$51.2 million for the financial year of 2011, representing a decrease of approximately HK$8.6 million or 14.4% when compared to that of 2010. The main reason for the decrease was due to the reduction in number of service contracts, contract amounts and management fees.

### Trading and Investment Business

Trading and investment business includes the trading of securities and investment income from securities investment and investment holding. During the year 2011, net loss from trading in securities amounted to approximately HK$82.3 million. The loss was mainly due to the fair value losses on held for trading investments.

### Research and Development, Manufacturing and Sale of High Clean Unleaded Gasoline and Diesel

The Group has established the research and development service for its proprietary formula and technology for its high clean unleaded gasoline and diesel products and has a total of two production bases in Xuzhou City and Yancheng City, Jiangsu Province, the PRC respectively. The products of the Wide Merit Group are to be sold to the clients including the gasoline wholesalers through land and water transportation. Total revenue from the Group's research and development, manufacturing and sale of high clean unleaded gasoline and diesel sector was approximately HK$14.3 million for the period from the date of acquisition to 31 December 2011.

## FINANCIAL REVIEW

### Financial Results

For the year ended 31 December 2011, the loss attributable to owners of the Company was approximately HK$69.5 million, representing an increase of 3,483.0% as compared to the loss of approximately HK$1.9 million for the year ended 31 December 2010. The substantial increase in net loss was mainly due to the following items:

1. About HK$233.4 million decrease in the sales of properties and rental income mainly due to the disposal of the subsidiaries holding properties in Beijing in 2010; and

2. About HK$85.6 million fair value losses on held for trading investments during the year.

The Group undertakes portfolio investments (trading and investments segment) during the year under review. Owing to the European financial crisis, the Hong Kong stock markets were very volatile. As a result, the Group's portfolio investments recorded net fair value losses of approximately HK$85.6 million and the Group recorded a negative revenue for the year amounted to approximately HK$12.6 million.

Management Discussion and Analysis

## Capital Structure, Liquidity and Financial Resources

As at 31 December 2011, the authorised share capital of the Company was HK$3,000.0 million divided into 15,000,000,000 shares of HK$0.2 each. The issued share capital of the Company was increased to approximately HK$879.2 million divided into 4,396,120,965 shares of HK$0.2 each as at 31 December 2011 from approximately HK$219.1 million divided into 1,095,542,931 shares of HK$0.2 each as at 31 December 2010.

Pursuant to an ordinary resolution passed by the Company's shareholders at the special general meeting held on 9 December 2011, the authorised share capital of the Company was increased from HK$1,000.0 million divided into 5,000,000,000 shares to HK$3,000.0 million divided into 15,000,000,000 shares in order to accommodate the future expansion and growth of the Group as well as the issue of the consideration shares, the placing shares and the conversion shares to be issued upon conversion of the convertible notes for financing the very substantial acquisition. Reference and definition is made to the circular of the Company dated on 23 November 2011.

At the same special general meeting, the shareholders approved (1) the allotment and issue of a total of 1,300,578,034 consideration shares at HK$0.346 per share; the convertible notes in an aggregate principal amount of HK$1,500.0 million; and the promissory notes in an aggregate principal amounts of HK$1,100 million to the vendor of Easy Linkage; and (2) the conditional placing agreement dated 19 October 2011 entered into between the Company and the placing agent, Chung Nam Securities Limited, in relation to the placing of up to 2,200,000,000 new shares on a best effort basis. The placing was completed on 21 December 2011. A total of 2,000,000,000 placing shares have been placed to not less than six independent places at a price of HK$0.38 per placing share (before expenses). The net proceeds from the placing (after the deducting the placing commission and other related expenses payable by the Company) is approximately HK$737.0 million, and the net price of each placing share is approximately HK$0.368.

As at 31 December 2011, the current assets and current liabilities of the Group were approximately HK$6,708.3 million (2010: HK$1,297.3 million) and approximately HK$2,432.6 million (2010: HK$271.0 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was approximately 2.76 times as compared to that of 4.8 times at the previous year ended 31 December 2010. The decrease in liquidity ratio was mainly due to the increase in deposits from sale of properties from the acquisition of subsidiaries in Qingdao as at 31 December 2011.

The Group's total assets and total liabilities amounted to approximately HK$12,829.5 million (2010: HK$1,807.6 million) and HK$6,982.4 million (2010: HK$369.7 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was 0.54 times as at 31 December 2011, as compared to that of 0.2 times as at 31 December 2010, which slightly increased as compared to last year due to the acquisition of subsidiaries in Qingdao which incurred secured bank borrowings, convertible notes and promissory notes as at 31 December 2011.

The cash and cash equivalents as at 31 December 2011 was approximately HK$1,286.0 million (2010: HK$579.5 million). The increase was mainly attributable to capital injection from issuance of ordinary shares.

The gearing ratio of the Group, expressed as a percentage of bank borrowings and long-term debts (including convertible notes and promissory notes) over total equity, was 41.3% (2010: Nil). The increase in gearing ratio was mainly due to the bank borrowings from the newly acquired subsidiaries and the issuance of convertible notes and promissory notes during 2011.

The Group will have sufficient financial resources to fund its operations.

## FOREIGN EXCHANGE EXPOSURE

Substantially all of the Group's sales and operating costs are denominated in the functional currency of the Group entity making the sales or incurring the costs. Accordingly, the Directors consider that the currency risk is not significant. The Group currently does not have a formal currency hedging policy in relation to currency risk. The Directors monitor the Group's exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

## CONTINGENT LIABILITIES

As at 31 December 2011, the Group had no material contingent liabilities.

## CHARGES ON THE GROUP'S ASSETS

As at 31 December 2011, the Group's certain properties of approximately HK$9,083.9 million were pledged to bank to secure certain loan facility granted to the Group.

## EMPLOYEE INFORMATION

As at 31 December 2011, the Group had 274 employees. The employees of the Group are remunerated in accordance with their working experience and performance, and their salaries and benefits are kept at market level. For the year ended 31 December 2011, the total staff costs of the Group were approximately HK$16.9 million (2010: HK$20.9 million), representing a decrease of approximately 19.1% over the year 2010.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. Other staff benefits include discretionary performance-based bonus, medical scheme, share options and sales commission.

## PROSPECTS

The PRC government continues to implement austerity measures to promote a healthy and sustainable development of the real estate market and the Directors believe that property market trend is positive for the long term, in view of the strong economic fundamentals of the PRC and rapid urbanisation.

In December 2011, the Group has acquired a large property development project in Qingdao, Shandong Province. The project is located at an excellent location, at the west coast of Qingdao, with fresh and clean living environment, high consuming ability of the coastal living cluster and the convenient transport system.

In view of the high GDP, the increasing trend in the residential property prices in Qingdao and the positive response from the pre-sale of Phase I units, the Directors expect that the demand for residential and commercial properties will remain robust in Qingdao in the future and are optimistic about the prospect of the property market in Qingdao.

By the expansion of business and the reallocation of resources, the management believes that the newly acquired land and buildings will deliver attractive returns for the Company and the Company's shareholders.

# Profiles of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Zhou Cheng Rong**, aged 44, was appointed as an executive Director with effect from 8 June 2011 and was appointed as the Chairman with effect from 31 August 2011. He holds the Bachelor of Economics (經濟學學士學位) of The Shi Jia Zhuang University of Economics (石家莊經濟學院), the People's Republic of China (the "PRC"), previously known as Hebei Geography College (河北地質學院). He is the member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) and a senior accountant (高級會計師) of Shanghai Institute of Certificate Public Accountants (上海市註冊會計師協會) and has the qualification of specialty and technology (專業技術資格) in the area of real estate economy (房地產經濟) with intermediate level (中級). He has experience in accounting field for more than 10 years and has worked for property investment companies and financial investment companies in the PRC.

**Mr. Xu Yi**, aged 47, was appointed as an executive Director with effect from 7 July 2009. He holds a Master of Business Administration from The University of Liverpool, United Kingdom. He worked for an international bank and was in charge of real estate financing business. He also worked for several property investment companies in the Peoples' Republic of China (the "PRC") and has experience in commercial property investment, development and management for over 20 years.

**Mr. Wu Hong Guang**, aged 49, was appointed as an executive Director with effect from 8 June 2011. He holds the degree (學位) in Organic Synthesis (化學有機合成) of Beijing University of Chemical Technology (北京化工大學), previously known as Beijing College of Chemical Technology (北京化工學院) and was a Political Economics Researcher (政治經濟學研究生) of Renmin University of China (中國人民大學) and was qualified as a Senior Certified Professional Manager in 2008. He possesses many years of experience in commercial estate development in the PRC and he has worked for Beijing Chemical Industry Council (北京化工局).

**Mr. Dai Peng**, aged 42, was appointed as an executive Director with effect from 23 August 2011. He studied finance and economics and graduated from Southwestern University of Finance and Economics (西南財經大學), the PRC. He has worked for various financial investment companies in the PRC and Hong Kong and has the experience in financial investment field for more than 15 years.

**Mr. Lo Kai Bong**, aged 32, was appointed as an executive Director with effect from 7 March 2012. He holds a Bachelor of Arts in Business Administration from The University of Winnipeg in Canada. He was previously on the board of directors of Enterprise Development Holdings Limited, a company listed on Main Board of the Stock Exchange (Stock Code: 1808) and acted as a director of its three subsidiaries from 30 March 2011 to 13 February 2012. He was an executive director of Oriental Legend Maker Technology Limited, a director of Karma Communication Company Limited and the senior vice president of CEC Telecom Co., Ltd. (a wholly owned subsidiary of Qiao Xing Mobile Communication Co., Ltd. (NYSE: QXM)) during the period from 2005 to 2009.

**Mr. Gong Xiao Cheng**, aged 27, was appointed as an executive Director with effect from 7 March 2012. He holds a Bachelor's degree of Finance, Accounting and Management from University of Nottingham in United Kingdom and a Master's degree of Real Estate Economics and Finance from London School of Economics and Politics Science.

# Profiles of Directors and Senior Management

## EXECUTIVE DIRECTOR, FINANCIAL CONTROLLER, COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

**Mr. Hon Ming Sang**, aged 33, was appointed as an executive Director with effect from 14 January 2010, as the authorised representative required under the Listing Rules with effect from 1 February 2009, as the company secretary and qualified accountant of the Company with effect from 4 June 2008 and as the financial controller of the Group with effect from 1 July 2008. He graduated with an honor degree of Professional Accountancy in the School of Accountancy from the Chinese University of Hong Kong. He is a CFA charter, a member of the Hong Kong Society of Financial Analysts, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. He has previously worked in an international audit firm and has several years of working experience in listed companies and financial institutions. He has extensive experience in corporate finance, merger and acquisition, investment and financial management and compliance services.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Wai Yip Freeman**, aged 48, was appointed as an independent non-executive Director with effect from 26 October 2006. He is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Taxation Institute of Hong Kong. He is a practicing certified public accountant and possesses over 20 years of professional experience in auditing and tax consultancy services.

**Mr. Ng Ka Chung Simon**, aged 55, was appointed as an independent non-executive Director with effect from 28 February 2006. He has extensive experience in the legal field and is currently a Barrister-at-law.

**Ms. Leung Po Ying Iris**, aged 41, was appointed as an independent non-executive Director with effect from 26 October 2006. She graduated with a BBA degree from the University of Hong Kong and received a MBA degree from the Hong Kong University of Science & Technology. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Leung is currently General Manager of Growth-Link Trade Services Company Limited, a trade services company in Hong Kong, and possesses over 15 years of professional and business experience in finance and investment services.

# Corporate Governance Report

## INTRODUCTION

The Company has all along committed to fulfill its responsibilities to its shareholders by ensuring that the proper processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures, including but not limited to the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), are established throughout the year ended 31 December 2011.

Throughout the year ended 31 December 2011, the Company meets all the code provisions as set out in the CG Code, except for the deviations summarised as follows:

| CG Code | Code Provisions | Deviations and considered reasons |
|---|---|---|
| A.2.1 | The roles of Chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. | During the year ended 31 December 2011, the Company did not have officer with the title of CEO. The CEO's duties have been undertaken by the members of the Board since Mr. Yip Ying Chi Benjamin, appointed as CEO on 11 April 2008 and resigned as CEO on 4 December 2008. To rectify this deviation, the Company is in process of identifying a suitable candidate as its CEO and will issue a further announcement in due course. |
| A.4.1 | Non-executive director should be appointed for a specific term. | Although Mr. Wang John Peter Ben, who resigned as a non-executive director on 1 March 2012, is not appointed for a specific term, Mr. Wang is subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company and the CG Code during his term in office. As such, the Company considers that such provisions are sufficient to meet the intent of the relevant provisions of the CG Code. |

## BOARD OF DIRECTORS AND BOARD MEETING

### Board Composition

The Board currently comprises seven executive Directors ("EDs"), namely, Mr. Zhou Cheng Rong (Chairman), Mr. Xu Yi, Mr. Wu Hong Guang, Mr. Dai Peng, Mr. Lo Kai Bong, Mr. Gong Xiao Cheng and Mr. Hon Ming Sang and three independent non-executive Directors ("INEDs"), namely, Mr. Chan Wai Yip Freeman, Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris.

There are respective service contracts between the Company and Mr. Zhou Cheng Rong, between the Company and Mr. Wu Hung Guang, between the Company and Mr. Dai Peng, between the Company and Mr. Lo Kai Bong, between the Company and Mr. Gong Xiao Cheng and between the Company and Mr. Hon Ming Sang, as disclosed in the announcements of the Company dated 14 January 2010, 8 June 2011, 23 August 2011 and 7 March 2012. There is no service contract between the Company and Mr. Xu Yi. Each of the EDs will be subject to retirement by rotation and re-election at least once every three years and all the INEDs will be subject to retirement and re-election every year, all at the annual general meeting.

The Company complies with Rule 3.10 of the Listing Rules that there is sufficient number of INEDs and each of them has appropriate professional qualifications. The Company has received from each of the INEDs an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent.

There is no financial, business, family or other material or relevant relationship among the Board members of the Company.

## OPERATION OF THE BOARD

The Board is responsible for directing the Group's objectives and strategies, monitoring the implementation, managing risks of the Group. Material matters are reserved for the Board's considerations. The Board has delegated the daily operational responsibilities to the management of the Company.

## Corporate Governance Report

The Board held 16 meetings during the year ended 31 December 2011, of which 8 were full Board meetings and 8 were ED meetings, and the respective attendance of each Director at the board meetings are set out as follows:

| | Attendance | |
|---|---|---|
| | **Full Board Meetings** | **ED Meetings** |
| ***Executive Directors:*** | | |
| Mr. Zhou Cheng Rong (Chairman) (Note 1) | 7/7 | 5/5 |
| Mr. Xu Yi | 8/8 | 8/8 |
| Mr. Wu Hong Guang (Note 2) | 7/7 | 5/5 |
| Mr. Dai Peng (Note 3) | 4/6 | 0/3 |
| Mr. Lo Kai Bong (Note 4) | N/A | N/A |
| Mr. Gong Xiao Cheng (Note 4) | N/A | N/A |
| Mr. Hon Ming Sang | 8/8 | 8/8 |
| Ms. Tin Yuen Sin Carol (Chairperson) (Note 5) | 3/3 | 7/8 |
| Mr. Ho Kam Chuen Alex (Note 6) | 1/1 | 3/4 |
| Mr. Zhang Feng (Note 7) | 1/1 | 2/3 |
| Mr. Li Sai Ho (Note 7) | 1/1 | 2/3 |
| ***Non-executive Director:*** | | |
| Mr. Wang John Peter Ben (Note 8) | 6/7 | N/A |
| ***Independent Non-executive Directors:*** | | |
| Mr. Chan Wai Yip Freeman | 7/8 | N/A |
| Mr. Ng Ka Chung Simon | 6/8 | N/A |
| Ms. Leung Po Ying Iris | 7/8 | N/A |

Notes:

(1) Appointed as an executive Director with effect from 8 June 2011 and as the Chairman with effect from 31 August 2011.

(2) Appointed as an executive Director with effect from 8 June 2011.

(3) Appointed as an executive Director with effect from 23 August 2011.

(4) Appointed as an executive Director with effect from 7 March 2012.

(5) Resigned as the Chairperson and an executive Director with effect from 31 August 2011.

(6) Resigned as an executive Director with effect from 13 July 2011.

(7) Resigned as an executive Director with effect from 8 June 2011.

(8) Resigned as a non-executive Director with effect from 1 March 2012.

## AUDIT COMMITTEE

The audit committee of Company (the “Audit Committee”) was established on 9 November 1999. The Audit Committee is chaired by Mr. Chan Wai Yip Freeman and its members are Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris, who are all INEDs of the Company. The terms of reference of the Audit Committee had been complied since the establishment of the Audit Committee and the primary roles and functions of the Audit Committee are (i) reviewing and supervising the financial reporting system and internal control mechanism of the Company; (ii) monitoring the integrity of the financial statements of the Group; (iii) reviewing the compliance issues with the Listing Rules and other compliance requirements; and (iv) reviewing and consider the appointment of auditors and auditors’ remuneration.

In 2011, the Audit Committee held 2 meetings and details of the attendance of each member of the committee are set out as follows:

| Members: | Attendance |
|---|---|
| Mr. Chan Wai Yip Freeman | 2/2 |
| Mr. Ng Ka Chung Simon | 2/2 |
| Ms. Leung Po Ying Iris | 2/2 |

During the year ended 31 December 2011, the Audit Committee has reviewed and commented on each of the interim and annual financial reports of the Group, reviewed the Company’s financial reporting system, financial and accounting policies and practices and internal control procedures, reviewed and approved the terms of engagement and remuneration of the external auditors, discussed with external auditors on the financial matters of the Group that arose during the course of the audit and reported to and made relevant recommendations to the management of the Company on matters set out in CG Code.

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

## REMUNERATION COMMITTEE

The Company has maintained a remuneration committee throughout the year ended 31 December 2011. The remuneration committee is chaired by Mr. Chan Wai Yip Freeman and its other members are Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris. All the remuneration committee members are INEDs of the Company. The role and function of the remuneration committee are (i) making recommendations to the Board on the policies and structure for the remuneration of Directors and senior management; (ii) reviewing and approving the remuneration package of each Director and member of senior management; (iii) reviewing and approving the performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; (iv) ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration and (v) engaging external professional advisors to assist and/or advise the remuneration committee on its duties when necessary and reasonable.

In 2011, the remuneration committee held 1 meeting and details of the attendance of each member of the committee are set out as follows:

| **Members:** | **Attendance** |
|---|---|
| Mr. Chan Wai Yip Freeman | 1/1 |
| Mr. Ng Ka Chung Simon | 1/1 |
| Ms. Leung Po Ying Iris | 1/1 |

During the year ended 31 December 2011, the remuneration committee has received and approved the remuneration package of each Director.

## NOMINATION COMMITTEE

The Company established a nomination committee (the "Nomination Committee") in March 2012 with written terms of reference in compliance with the new CG Code Provision A.5.1 which will come into effect on 1 April 2012. The Nomination committee is chaired by Mr. Chan Wai Yip Freeman and its members are Mr. Ng Ka Chung Simon and Mr. Lo Kai Bong. Majority of the Nomination Committee are INEDs of the Company. The role and the function of the Nomination Committee are (i) review the structure, size and composition of the Board of Directors; (ii) identify and nominate individuals suitably qualified to become members of the Board of Directors; (iii) assess the independence of the INEDs and the proposed INEDs; (iv) make recommendations on the appointment and re-appointment of the directors and succession planning for directors; (v) make available its terms of reference to any eligible party without charge; and (vi) do any such things to enable the Nomination Committee to discharge its powers and functions.

Although no nomination committee was established by the Company during the year, the Company has adopted a nomination policy for the criteria, procedures and process of appointment and removal of directors. Criteria for the selection of director include qualification, working experience and relevant requirements of the Listing Rules. Each of the directors shall possess high and professional standard of a set of core criteria of competence.

At the meetings held by the Board, with the presence of all the Directors, it was resolved that all the existing Directors shall be recommended to be retained by the Company. Moreover, with reference to the Bye-laws of the Company and the CG Code, Mr. Zhou Cheng Rong, Mr. Xu Yi, Mr. Wu Hong Quang, Mr. Dai Peng, Mr. Lo Kai Bong, Mr. Gong Xiao Cheng, Mr. Hon Ming Sang, Mr. Chan Wai Yip Freeman, Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris shall retire, and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

## AUDITORS' REMUNERATION

Fee for audit services and non-audit services were HK$1,750,000 and HK$2,400,000, respectively, which were charged to the Group's consolidated statement of comprehensive income.

Corporate Governance Report

## INTERNAL CONTROL

The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has adopted detailed process to, on a regular basis, conduct reviews over the effectiveness of the Group's internal control system, which covered the major controls, including financial, operational, compliance controls and risk management functions to ensure that appropriate levels of protection are in place. The Board has established internal control process to identify, evaluate and manage any significant risks faced by the Company and to monitor the management and control of the Group's businesses, assets, liabilities, profits and expenditures and merger and acquisition projects. No significant deficiency/problem was identified and the Company has internal guidelines to deal with any material internal control aspects of any significant problems once discovered. The Board was satisfied with the effectiveness of the Group's internal control procedures.

Despite that the Listing Rules have been amended to remove the requirement for a qualified accountant, Mr. Hon Ming Sang, the executive Director, remains the qualified accountant of the Company. With regard to the revised Listing Rules and CG Code, which came into effect on 1 January 2009, regarding the specific references to the responsibility of the directors to conduct an annual review of adequacy of staffing of the financial reporting function and the oversight role of the Audit Committee, the Company has in place a system to ensure that the annual budget, the recruitment process, training and development programme will be sufficient and adequate to enable the Directors to discuss with the Audit Committee and the adequacy of resources, qualifications and experience of the staff of the Company's accounting and financial report functions and their training programmes and budget.

## DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The Company has made specific enquiries of all Directors and all Directors have confirmed that they have complied with the required standard as set out in the Model Code and its code of conduct regarding the director's securities transactions adopted by the Company during the year ended 31 December 2011.

## FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities as the directors for preparing the financial statements. The auditors' reporting responsibilities on the financial statements and other further details are set out in the auditors' report contained in this annual report.

# Directors' Report

The Directors are pleased to present the annual report and the audited consolidated financial statements of Oriental Ginza Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in Note 46 to the consolidated financial statements.

## RESULTS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on pages 29 to 30. The Directors do not recommend the payment of any final dividend for the year ended 31 December 2011.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

## INVESTMENT PROPERTIES

Details of the movements during the year in the investment properties of the Group are set out in Note 18 to the consolidated financial statements.

## SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in Note 29 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's contributed surplus available for distribution to its shareholders as at 31 December 2011 amounted to HK$9,404,000 (2010: HK$9,404,000).

## PRE-EMPTIVE RIGHTS

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

## DIRECTORS

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

### Executive Directors

| | |
|---|---|
| Mr. Zhou Cheng Rong | (Appointed with effect from 8 June 2011) |
| Mr. Xu Yi | |
| Mr. Wu Hong Guang | (Appointed with effect from 8 June 2011) |
| Mr. Dai Peng | (Appointed with effect from 23 August 2011) |
| Mr. Lo Kai Bong | (Appointed with effect from 7 March 2012) |
| Mr. Gong Xiao Cheng | (Appointed with effect from 7 March 2012) |
| Mr. Hon Ming Sang | |
| Ms. Tin Yuen Sin Carol | (Resigned with effect from 31 August 2011) |
| Mr. Ho Kam Chuen Alex | (Resigned with effect from 13 July 2011) |
| Mr. Zhang Feng | (Resigned with effect from 8 June 2011) |
| Mr. Li Sai Ho | (Resigned with effect from 8 June 2011) |

### Non-executive Director

| | |
|---|---|
| Mr. Wang John Peter Ben | (Resigned with effect from 1 March 2012) |

### Independent Non-executive Directors

Mr. Chan Wai Yip Freeman
Mr. Ng Ka Chung Simon
Ms. Leung Po Ying Iris

The following Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM") of the Company:

(1) Mr. Zhou Cheng Rong, Mr. Xu Yi, Mr. Wu Hong Guang, Mr. Dai Peng, Mr. Lo Kai Bong, Mr Gong Xiao Cheng and Mr. Hon Ming Sang, the executive Directors, shall retire in accordance with Bye-laws.

(2) Mr. Chan Wai Yip Freeman, Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris, the independent non-executive Directors, shall retire at the AGM in each year in accordance with their terms of office of directorship.

## DIRECTORS' SERVICE CONTRACTS

No Director to be proposed for re-election at the forthcoming AGM has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted during or at the end of the year.

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

## EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Company's remuneration committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Company's share option scheme are set out in Note 40 to the consolidated financial statements.

Details of the Group's retirement benefit plans are set out in Note 41 to the consolidated financial statements.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2011, none of the Directors, chief executive and their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

Directors' Report

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors and the chief executive, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

### Long position in the shares and underlying shares

**Ordinary shares of HK$0.20 each of the Company**

| Name | Capacity | Ordinary shares (no. of shares) | Derivative shares (no. of shares) | Total number of shares held | Approximate percentage of the issued share capital of the Company | Notes |
|---|---|---|---|---|---|---|
| Central Huijin Investment Ltd. | Interest of controlled corporation | 40,000,000 | 5,828,757,223 | 5,868,757,223 | 133.50% | 1 |
| China Construction Bank Corporation | Interest of controlled corporation | 40,000,000 | 5,828,757,223 | 5,868,757,223 | 133.50% | 1 |
| CCB International Group Holdings Limited | Interest of controlled corporation | 20,000,000 | 5,828,757,223 | 5,848,757,223 | 133.05% | 1 |
| | Beneficial owner | 20,000,000 | – | 20,000,000 | 0.45% | |
| CCB Financial Holdings Limited | Interest of controlled corporation | 40,000,000 | 5,828,757,223 | 5,868,757,223 | 133.50% | 1 |
| CCB International (Holdings) Limited | Interest of controlled corporation | 40,000,000 | 5,828,757,223 | 5,868,757,223 | 133.50% | 1 |
| CCB International Assets Management (Cayman) Limited | Interest of controlled corporation | 40,000,000 | 5,828,757,223 | 5,868,757,223 | 133.50% | 1 |
| CCB International Asset Management Limited | Interest of controlled corporation | – | 5,558,236,992 | 5,558,236,992 | 126.44% | 1 |
| | Nominee for another person | 20,000,000 | – | 20,000,000 | 0.45% | |
| | Beneficial owner | 20,000,000 | 270,520,231 | 290,520,231 | 6.61% | |

## Directors' Report

| Name | Capacity | Ordinary shares (no. of shares) | Derivative shares (no. of shares) | Total number of shares held | Approximate percentage of the issued share capital of the Company | Notes |
|---|---|---|---|---|---|---|
| Sino Thrive Investments Limited | Nominee for another person | – | 1,127,167,630 | 1,127,167,630 | 25.64% | 1 |
| | Person having a security interest in shares | – | 4,335,260,115 | 4,335,260,115 | 98.62% | |
| QD Enterprise Investments | Interest of controlled corporation | – | 109,898,842 | 109,898,842 | 2.50% | 1 |
| | Person having a security interest in shares | – | 4,335,260,115 | 4,335,260,115 | 98.62% | |
| Mr. King Pak Fu | Interest of controlled corporation | 1,300,578,034 | 4,335,260,115 | 5,635,838,149 | 128.20% | 2 |
| Better Joint Venture Limited | Beneficial owner | 1,300,578,034 | 4,335,260,115 | 5,635,838,149 | 128.20% | 2 |
| Mr. Liu Andrew | Beneficial owner | 500,000,000 | – | 500,000,000 | 11.37% | |
| Ms. Lo Ki Yan Karen | Beneficial owner | 50,000,000 | – | 50,000,000 | 1.13% | 3 |
| | Interest of controlled corporation | 250,019,000 | – | 250,019,000 | 5.69% | |
| Cordoba Homes Limited | Interest of controlled corporation | 250,019,000 | – | 250,019,000 | 5.69% | 3 |
| Hennabun Capital Group Limited | Interest of controlled corporation | 250,019,000 | – | 250,019,000 | 5.69% | 3 |
| Ristora Investments Limited | Interest of controlled corporation | 250,019,000 | – | 250,019,000 | 5.69% | 3 |

## Directors' Report

*Note 1:* China Construction Bank Corporation ("CC Bank") was beneficially 57.10%-owned by Central Huijin Investment Ltd. ("Central Huijin"). By virtue of the SFO, Central Huijin was deemed to be interested in those shares which CC Bank was interested.

CCB International Group Holdings Limited ("CCB-IGH") was wholly and beneficially owned by CC Bank. By virtue of the SFO, CC Bank was deemed to be interested in those shares which CCB-IGH was interested.

CCB Financial Holdings Limited ("CCB-FH") was wholly and beneficially owned by CCB-IGH. By virtue of the SFO, CCB-IGH was deemed to be interested in those shares which CCB-FH was interested.

CCB International (Holdings) Limited ("CCB-IH") was wholly and beneficially owned by CCB-FH. By virtue of the SFO, CCB-FH was deemed to be interested in those shares which CCB-IH was interested.

CCB International Asset Management (Cayman) Limited ("CCB-IAMC") was wholly and beneficially owned by CCB-IH. By virtue of the SFO, CCB-IH was deemed to be interested in those shares which CCB-IAMC was interested.

CCB International Asset Management Limited ("CCB-IAM") was wholly and beneficially owned by CCB-IAMC. By virtue of the SFO, CCB-IAMC was deemed to be interested in those shares which CCB-IAM was interested.

Sino Thrive Investments Limited was wholly and beneficially owned by CCB-IAM. By virtue of the SFO, CCB-IAM was deemed to be interested in those shares which Sino Thrive Investments Limited was interested.

QD Enterprise Investments ("QD-E") was wholly and beneficially owned by CCB-IAM. By virtue of the SFO, CCB-IAM was deemed to be interested in those shares which QD-E was interested.

QD-E and QD Enterprise L.P. are general partners of each other.

*Note 2:* Better Joint Venture Limited ("BJV") beneficially owns 1,300,578,034 shares and convertible notes of 4,335,260,115 shares. BJV is wholly and beneficially owned by Mr. King Pak Fu ("Mr. King"). By virtue of the SFO, Mr. King was deemed to be interest in those share held by BJV.

*Note 3:* Ristora Investments Limited ("Ristora Investments") was wholly and beneficially owned by Ms. Lo Ki Yan Karen ("Ms. Lo"). By virtue of the SFO, Ms. Lo was deemed to be interested in those shares which Ristora Investments was interested.

Cordoba Homes Limited ("Cordoba Homes") beneficially 24.96%-owned by Ristora Investments. By virtue of the SFO, Ristora Investments was deemed to be interested in those shares which Cordoba Homes was interested.

Hennabun Capital Group Limited ("Hennabun Capital") beneficially 47.96%-owned by Cordoba Homes. By virtue of the SFO, Cordoba Homes was deemed to be interested in those shares which Hennabun Capital was interested.

Save as disclosed above, as at 31 December 2011, the Company has not been notified of any substantial shareholder who had any other relevant interests to be disclosed pursuant to Part XV of SFO.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float throughout the year ended 31 December 2011.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2011, the Group's largest customer and five largest customers accounted for approximately 13.5% and 40.4% of its total revenue from property investment business and retail-related consultancy and management services business respectively.

Purchases of the Group's five largest suppliers accounted for less than 30% of the Group's total purchase for the year.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

## EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in Note 45 to the consolidated financial statements.

## AUDITORS

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Zhou Cheng Rong**
*Chairperson*

28 March 2012

# Independent Auditors' Report

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street Central
Hong Kong

**To the shareholders of**
**Oriental Ginza Holdings Limited**
*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Oriental Ginza Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 110, which comprise the consolidated and Company's 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' 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 90 of the Companies Act of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

# Independent Auditors' Report

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

**HLB Hodgson Impey Cheng**
*Chartered Accountants*
*Certified Public Accountants*

Hong Kong, 28 March 2012

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

| | Notes | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 5 | **(12,605)** | 311,702 |
| Other income and net gains | 7 | **5,861** | 27,218 |
| Gain on disposal of subsidiaries | 36 | **–** | 172,143 |
| Cost of properties sold | | **–** | (93,622) |
| Operating lease rentals | | **(48,909)** | (42,312) |
| Employee benefits expense | | **(16,900)** | (20,929) |
| Depreciation of property, plant and equipment | | **(5,396)** | (7,848) |
| Gain on bargain purchases | | **–** | 4,038 |
| Loss from changes in fair value of investment properties | 18 | **(2,460)** | (68,965) |
| Gain from changes in fair value of assets classified as held for sale | | **–** | 84,669 |
| Reversal of/provision for) impairment loss of other receivables | | **51,217** | (119,771) |
| Finance costs | 8 | **(6,952)** | (85,198) |
| Other operating expenses | | **(24,957)** | (170,176) |
| Loss before tax | | **(61,101)** | (9,051) |
| Income tax (expense)/credit | 9 | **(217)** | 7,110 |
| Loss for the year from continuing operations | | **(61,318)** | (1,941) |
| **Discontinued operations** | | | |
| **Loss for the year from discontinued operations** | 10 | **(16,136)** | – |
| **Loss for the year** | 11 | **(77,454)** | (1,941) |
| **Other comprehensive income/(expense)** | | | |
| Reclassification adjustment for translation reserve released upon disposal of subsidiaries | 36 | **–** | (147,691) |
| Exchange differences arising on translation of foreign operations | | **12,123** | 16,428 |
| Total comprehensive expense for the year | | **(65,331)** | (133,204) |

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

| | Notes | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|---|
| **Loss for the year attributable to owners of the Company** | | | |
| — from continuing operations | | **(61,318)** | (1,941) |
| — from discontinued operations | | **(8,229)** | — |
| Loss for the year attributable to owners of the Company | | **(69,547)** | (1,941) |
| **Loss for the year attributable to non-controlling interests** | | | |
| — from continuing operations | | **—** | — |
| — from discontinued operations | | **(7,907)** | — |
| Loss for the year attributable to non-controlling interests | | **(7,907)** | — |
| **Total comprehensive expense attributable to:** | | | |
| Owners of the Company | | **(57,364)** | (133,204) |
| Non-controlling interests | | **(7,967)** | — |
| | | **(65,331)** | (133,204) |
| **Loss per share** | | | |
| **From continuing and discontinued operations** | | | |
| Basic and diluted (HK$ per share) | 15 | **(0.059)** | (0.002) |
| **From continuing operations** | | | |
| Basic and diluted (HK$ per share) | 15 | **(0.052)** | (0.002) |

# Consolidated Statement of Financial Position

At 31 December 2011

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 17 | **2,162,764** | 27,733 |
| Investment properties | 18 | **3,070,573** | 482,596 |
| Goodwill | 19 | **521,002** | — |
| Prepayments on construction contracts | | **366,927** | — |
| | | **6,121,266** | 510,329 |
| **Current assets** | | | |
| Properties for sale | 21 | **4,378,669** | — |
| Trade receivables | 22 | **32,250** | 32,875 |
| Prepayments, deposits and other receivables | 23 | **352,692** | 84,836 |
| Held for trading investments | 24 | **85,504** | — |
| Deferred cash consideration receivable from disposal of subsidiaries | 36 | **—** | 600,000 |
| Bank balances and deposits | 25 | **1,285,999** | 579,543 |
| | | **6,135,114** | 1,297,254 |
| Assets classified as held for sale | 10 | **573,161** | — |
| | | **6,708,275** | 1,297,254 |
| **Total assets** | | **12,829,541** | 1,807,583 |
| **Current liabilities** | | | |
| Trade payables | 26 | **36,590** | 2,177 |
| Deposits from sale of properties | | **1,617,059** | — |
| Accrued liabilities and other payables | 27 | **493,654** | 233,487 |
| Amounts due to non-controlling interests | 28 | **51,382** | — |
| Taxation payable | | **23,708** | 35,312 |
| | | **2,222,393** | 270,976 |
| Liabilities associated with assets classified as held for sale | 10 | **210,207** | — |
| | | **2,432,600** | 270,976 |
| **Net current assets** | | **4,275,675** | 1,026,278 |
| **Total assets less current liabilities** | | **10,396,941** | 1,536,607 |

## Consolidated Statement of Financial Position

At 31 December 2011

| | Notes | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | 29 | **879,224** | 219,109 |
| Share premium and reserves | | **2,506,058** | 1,218,760 |
| Equity attributable to owners of the Company | | **3,385,282** | 1,437,869 |
| Non-controlling interests | | **2,461,831** | — |
| **Total equity** | | **5,847,113** | 1,437,869 |
| **Non-current liabilities** | | | |
| Bank borrowings, secured | 31 | **880,626** | — |
| Deferred tax liabilities | 32 | **2,012,715** | 98,738 |
| Amounts due to non-controlling interests | 28 | **122,309** | — |
| Convertible notes | 33 | **694,067** | — |
| Promissory notes | 34 | **840,111** | — |
| | | **4,549,828** | 98,738 |
| | | **10,396,941** | 1,536,607 |

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2012 and were signed on its behalf by:

**Zhou Cheng Rong**
*Director*

**Hon Ming Sang**
*Director*

# Statement of Financial Position

At 31 December 2011

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 16 | **4,178,419** | 1 |
| **Current assets** | | | |
| Prepayments and other receivables | 23 | **20,549** | 55,286 |
| Amounts due from subsidiaries | 16 | **1,561,648** | 1,049,391 |
| Deferred cash consideration receivable from disposal of subsidiaries | 36 | **—** | 600,000 |
| Bank balances and cash | 25 | **15,069** | 428,849 |
| | | **1,597,266** | 2,133,526 |
| **Total assets** | | **5,775,685** | 2,133,527 |
| **Current liabilities** | | | |
| Accrued liabilities and other payables | 27 | **63,588** | 62,413 |
| Amounts due to subsidiaries | 16 | **381,603** | 381,604 |
| | | **445,191** | 444,017 |
| **Net current assets** | | **1,152,075** | 1,689,509 |
| **Total assets less current liabilities** | | **5,330,494** | 1,689,510 |
| **Capital and reserves** | | | |
| Share capital | 29 | **879,224** | 219,109 |
| Share premium and reserves | 30 | **2,784,113** | 1,470,401 |
| **Total equity** | | **3,663,337** | 1,689,510 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 32 | **132,979** | — |
| Convertible notes | 33 | **694,067** | — |
| Promissory notes | 34 | **840,111** | — |
| | | **1,667,157** | — |
| | | **5,330,494** | 1,689,510 |

**Zhou Cheng Rong**
*Director*

**Hon Ming Sang**
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Share capital** HK$'000 | **Share premium** HK$'000 Note (a) | **Contributed surplus** HK$'000 Note (b)(c) | **Convertible notes equity reserve** HK$'000 | **Translation reserve** HK$'000 | **PRC statutory reserves** HK$'000 Note (d) | **Accumulated losses** HK$'000 | **Total** HK$'000 | **Non-controlling interests** HK$'000 | **Total equity** HK$'000 |
| At 1 January 2011 | 219,109 | 1,887,839 | 9,404 | – | 18,709 | 25,005 | (722,197) | 1,437,869 | – | 1,437,869 |
| Loss for the year | – | – | – | – | – | – | (69,547) | (69,547) | (7,907) | (77,454) |
| Exchange differences arising on translation of foreign operations | – | – | – | – | 12,183 | – | – | 12,183 | (60) | 12,123 |
| Total comprehensive expense for the year | – | – | – | – | 12,183 | – | (69,547) | (57,364) | (7,967) | (65,331) |
| Recognition of equity component of convertible notes | – | – | – | 809,429 | – | – | – | 809,429 | – | 809,429 |
| Deferred tax liability on recognition of equity component of convertible notes | – | – | – | (133,555) | – | – | – | (133,555) | – | (133,555) |
| Issue of shares by way of placing | 400,000 | 360,000 | – | – | – | – | – | 760,000 | – | 760,000 |
| Transaction costs attributable to issue of shares | – | (22,860) | – | – | – | – | – | (22,860) | – | (22,860) |
| Acquisition of subsidiaries (Note 35 (a)&(b)) | 260,115 | 331,648 | – | – | – | – | – | 591,763 | 2,469,798 | 3,061,561 |
| Transfer from retained profits | – | – | – | – | – | 5,492 | (5,492) | – | – | – |
| **At 31 December 2011** | **879,224** | **2,556,627** | **9,404** | **675,874** | **30,892** | **30,497** | **(797,236)** | **3,385,282** | **2,461,831** | **5,847,113** |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 Note (a) | Contributed surplus HK$'000 Note (b)(c) | Convertible notes equity reserve HK$'000 | Translation reserve HK$'000 | PRC statutory reserves HK$'000 Note (d) | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| At 1 January 2010 | 219,109 | 1,887,839 | 9,404 | – | 149,972 | 25,005 | (720,256) | 1,571,073 | 2 | 1,571,075 |
| Loss for the year | – | – | – | – | – | – | (1,941) | (1,941) | – | (1,941) |
| Exchange differences arising on translation of foreign operations | – | – | – | – | 16,428 | – | – | 16,428 | – | 16,428 |
| Reclassification adjustment for translation reserve released upon disposal of subsidiaries (Note 36) | – | – | – | – | (147,691) | – | – | (147,691) | – | (147,691) |
| Total comprehensive expense for the year | – | – | – | – | (131,263) | – | (1,941) | (133,204) | – | (133,204) |
| Disposal of subsidiaries (Note 36) | – | – | – | – | – | – | – | – | (2) | (2) |
| At 31 December 2010 | 219,109 | 1,887,839 | 9,404 | – | 18,709 | 25,005 | (722,197) | 1,437,869 | – | 1,437,869 |

Notes:

(a) Under the Companies Act of Bermuda, the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares.

(b) The contributed surplus of the Group represented the net amount arising from the reduction of share premium account, capital reduction and amounts transferred to write off the accumulated losses in prior years.

(c) Under the Companies Act of Bermuda, the contributed surplus of a company is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

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

(ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(d) The People's Republic of China (the "PRC") statutory reserves consist of a reserve fund and an expansion fund provided in accordance with the articles of association of the PRC subsidiaries. Laws and regulations in the PRC allow foreign investment enterprises to appropriate from profit after tax, prepared in accordance with the PRC rules and regulations, an annual amount to the reserve fund and expansion fund according to the decision of the board or the articles of association.

The reserve fund is to be used to expand the working capital of the PRC subsidiaries. When the PRC subsidiaries suffer losses, the reserve fund may be used to make up accumulated losses under special circumstances.

The expansion fund is to be used for business expansion and, if approved, can also be used to increase the capital of the PRC subsidiaries.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2011

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Loss for the year | | **(77,454)** | (1,941) |
| Adjustments for: | | | |
| Amortisation of prepaid land lease | | **339** | — |
| Depreciation of property, plant and equipment | | **6,675** | 7,848 |
| Finance costs | | **11,918** | 85,198 |
| Gain on disposal of property, plant and equipment | | **—** | (3) |
| Gain on disposal of subsidiaries | | **—** | (172,143) |
| Gain from changes in fair value of assets classified as held for sale | | **—** | (84,669) |
| Gain on bargain purchases | | **—** | (4,038) |
| Income tax | | **217** | (7,110) |
| Interest income | | **(1,260)** | (718) |
| (Reversal of)/provision for impairment loss of other receivables | | **(48,473)** | 119,771 |
| Loss from changes in fair value of investment properties | | **2,460** | 68,965 |
| Operating cash flows before movements in working capital | | **(105,578)** | 11,160 |
| Movements in working capital: | | | |
| Inventories | | **5,566** | — |
| Held for trading investments | | **(85,504)** | — |
| Properties held for sale | | **—** | 33,263 |
| Trade receivables | | **(1,772)** | 22,532 |
| Prepayments, deposits and other receivables | | **31,205** | (549,371) |
| Trade payables | | **(741)** | 107,789 |
| Accrued liabilities and other payables | | **(13,111)** | (17,984) |
| Cash used in operations | | **(169,935)** | (392,611) |
| Taxes paid | | **(13,025)** | (32,006) |
| Net cash used in operating activities | | **(182,960)** | (424,617) |

## Consolidated Statement of Cash Flows

For the year ended 31 December 2011

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Interest received | | **1,260** | 718 |
| Proceeds from disposal of property, plant and equipment | | **—** | 22 |
| Proceeds from disposal of investment properties | | **1,761** | — |
| Decrease in pledged bank deposits | | **—** | 58,510 |
| Additions to property, plant and equipment | | **(9,464)** | (2,858) |
| Additions to prepaid land lease | | **(9,754)** | — |
| Proceeds from disposal of assets classified as held for sale | | **—** | 133,005 |
| Acquisition of subsidiaries (net of cash and cash equivalents acquired) | 35(a)(b) | **(454,859)** | (419,014) |
| Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed) | 36 | **600,000** | 510,840 |
| Net cash generated by investing activities | | **128,944** | 281,223 |
| **Financing activities** | | | |
| Interest paid | | **—** | (85,198) |
| Share issue expenses | | **(22,860)** | — |
| New bank and other borrowings | | **30,085** | 1,024,089 |
| Repayment of bank and other borrowings | | **(4,853)** | (1,140,673) |
| Proceeds on issue of ordinary shares | | **760,000** | — |
| Net cash generated by/(used in) financing activities | | **762,372** | (201,782) |
| **Net increase/(decrease) in cash and cash equivalents** | | **708,356** | (345,176) |
| **Cash and cash equivalents at the beginning of the year** | | **579,543** | 867,837 |
| Effects of foreign exchange rate changes | | **(1,453)** | 56,882 |
| **Cash and cash equivalents at the end of the year** | 37 | **1,286,446** | 579,543 |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 1. GENERAL INFORMATION

Oriental Ginza Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's principal place of business in Hong Kong is situated at Suites 903B-05, 9/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in property investment; retail-related consultancy and management services; and trading and investment business.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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

In the current year, the Group has 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 positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

The Group has 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 HKFRS 9 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 19 (as revised in 2011) | Employee Benefits[2] |
| 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

### Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

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

### 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 11 replaces HKAS 31 Interests in Joint Ventures and HK(SIC)-Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

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.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

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

### 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 consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and 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 annual periods beginning on or after 1 July 2012. 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 Group is in the process of assessing and quantifying the potential financial impact on deferred tax recognised for investment properties that are measured using the fair value model.

The directors anticipate that the application of the other new and revised standards, amendments and interpretation will have no material impact on the results and the financial position of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs 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 (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Basis of consolidation *(Continued)*

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

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.

#### *Allocation of total comprehensive income to non-controlling interests*

Total comprehensive income and expense of a subsidiary is attributed to 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 recognised 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 retained profits (accumulated losses) 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.

### Investment in a subsidiary

Investment in a subsidiary is included in the Company's statement of financial position at cost less any identified impairment loss.

## 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 to 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.

## 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)*

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

## 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.

Profit from sale of properties is recognised when the significant risks and rewards of ownership of the properties are transferred to the buyers. Deposits and instalments received from purchasers prior to this stage are included in current liabilities.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Service income is recognised when services are provided.

Income from sale of equity securities is recognised on the trade date basis.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group 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 discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

### Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of services or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives, and after taking into account of their estimated residual value 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Property, plant and equipment *(Continued)*

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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 or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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 the profit or loss in the period in which the item is derecognised.

### Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Costs include freehold and leasehold land cost, development cost, borrowing costs and other direct costs attributable to such properties, until the relevant properties reach a marketable state. Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to completion and costs to be incurred in marketing and selling.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 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.

**The Group as lessee**

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Leasing *(Continued)*

**The Group as lessee** *(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 operates) 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 except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period, and their income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies *(Continued)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

### 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 the Group's defined contribution retirement benefit plans, including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

### 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 profit 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, 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 profit 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 profit 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 is recognised in profit or loss, except when it relates 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.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement 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.

### *Financial assets*

The Group's financial assets are classified into the following categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. 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, points 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 asset, 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.

**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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

### *Financial assets* *(Continued)*

**Financial assets at FVTPL** *(Continued)*

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 revenue in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 43(c).

**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 receivables, deposits and other receivables, bank balances and deposits) 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).

**Impairment of 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 where 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.

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 and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables and loan receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

### *Financial assets* *(Continued)*

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loan receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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 loss 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.

### *Financial liabilities and equity instruments*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity 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.

**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, points 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 for debt instruments.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

### *Financial liabilities and equity instruments* *(Continued)*

**Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is a part of a portfolio of identified 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.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on measurement 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 interest paid on the financial liabilities.

**Convertible notes**

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits (accumulated losses). No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Financial instruments *(Continued)*

### *Financial liabilities and equity instruments* *(Continued)*

**Other financial liabilities**

Other financial liabilities including bank and other borrowings, trade and other payables and amounts due to non-controlling interests are subsequently measured at amortised cost, using the effective interest method.

### *Derecognition*

The Group derecognises 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.

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 is recognised in profit or loss.

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

### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### *Contingent liabilities acquired in a business combination*

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation (if appropriate) recognised in accordance with HKAS 18 Revenue.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Share-based payment transactions

**Equity-settled share-based payment transactions**

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits (accumulated losses).

**Cash-settled share-based payment transactions**

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At the end of the reporting period, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss.

### Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews 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 estimates 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(Continued)*

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.

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.

## 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 judgements, 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 within the next financial year.

### Estimated useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down obsolete assets that have been abandoned or sold.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### Valuation of completed investment properties and investment properties under construction

As described in Note 18, completed investment properties and investment properties under construction are stated at fair value based on the valuation performed by independent qualified professional valuers.

In determining the fair value of completed investment properties, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation reports, the management has exercised their judgement and are satisfied that the methods of valuation are reflective of current market conditions.

Investment properties under construction are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction and a reasonable profit margin.

### Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and ageing analysis of the trade and other receivables and on management's judgements. Considerable judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor, and the present values of the estimated future cash flows discounted at the effective interest rates. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required.

### Income taxes

There are transactions and calculations relating to the Group's ordinary business activities for which the ultimate tax determination is uncertain and judgement is required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

### Write-down of inventories for property development

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property valuers and internally available information, as bases for evaluation.

In respect of leasehold land held for development for sale and properties held for/under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to the estimated future cash flows to be derived from these properties. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the estimated costs to completion of properties, the legal and regulatory framework and general market conditions.

## 5. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Property rental income | **18,493** | 132,142 |
| Sales of properties | **—** | 119,768 |
| Fair value losses on held for trading investments | **(85,551)** | — |
| Dividend income from listed investments | **3,290** | — |
| Income from provision of retail-related consultancy and management services | **51,163** | 59,792 |
| | **(12,605)** | 311,702 |

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the directors of the Company that are used to assess performance and allocate resources. The Group is principally engaged in property investment business, trading and investment business and retail-related consultancy and management services business.

### Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments.

### *For the year ended 31 December 2011*

| Continuing operations | Property investment business HK$'000 | Trading and investment business HK$'000 | Retail-related consultancy and management services business HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **REVENUE** | | | | |
| External sales | 18,493 | (16,667) | 51,163 | 52,989 |
| Investment income and net loss | — | (65,594) | — | (65,594) |
| | 18,493 | (82,261) | 51,163 | (12,605) |
| **RESULTS** | | | | |
| Segment results | 3,827 | (83,325) | 54,085 | (25,413) |
| Finance costs | | | | (6,952) |
| Unallocated income | | | | 1,677 |
| Unallocated corporate expenses | | | | (30,413) |
| Loss before tax (continuing operations) | | | | (61,101) |

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 6. SEGMENT INFORMATION *(Continued)*

### Segment revenues and results *(Continued)*

### *For the year ended 31 December 2010*

| Continuing operations | Property investment business HK$'000 | Trading and investment business HK$'000 | Retail-related consultancy and management services business HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **REVENUE** | | | | |
| External sales | 251,910 | — | 59,792 | 311,702 |
| **RESULTS** | | | | |
| Segment results | 42,442 | — | (104,925) | (62,483) |
| Finance costs | | | | (85,198) |
| Unallocated income | | | | 176,898 |
| Unallocated corporate expenses | | | | (38,268) |
| Loss before tax (continuing operations) | | | | (9,051) |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2010: Nil).

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 central administration costs including directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 6. SEGMENT INFORMATION *(Continued)*

### Segment assets and liabilities

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

**Segment assets**

| **Continuing operations** | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Property investment business | **11,930,229** | 507,973 |
| Trading and investment business | **86,674** | — |
| Retail-related consultancy and management services business | **109,569** | 80,100 |
| Total segment assets | **12,126,472** | 588,073 |
| Assets relating to discontinued operations | **573,161** | — |
| Unallocated head office and corporate assets | **129,908** | 1,219,510 |
| Consolidated assets | **12,829,541** | 1,807,583 |

Note: All assets are allocated to operating segments other than assets relating to discontinued operations, certain bank balances and cash and other unallocated assets.

**Segment liabilities**

| **Continuing operations** | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Property investment business | **2,119,881** | 36,043 |
| Retail-related consultancy and management services business | **136,598** | 167,273 |
| Total segment liabilities | **2,256,479** | 203,316 |
| Liabilities relating to discontinued operations | **210,207** | — |
| Unallocated head office and corporate liabilities | **4,515,742** | 166,398 |
| Consolidated liabilities | **6,982,428** | 369,714 |

Note: All liabilities are allocated to operating segments other than liabilities relating to discontinued operations, bank and other borrowings, current and deferred tax liabilities, convertible notes, promissory notes and other unallocated liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 6. SEGMENT INFORMATION *(Continued)*

### Other segment information

### *For the year ended 31 December 2011*

| Continuing operations | Property investment business HK$'000 | Trading and investment business HK$'000 | Retail-related consultancy and management services business HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Amounts included in the measure of segment profit or loss or segment assets:** | | | | |
| Additions to non-current assets (Note) | 5,601,170 | — | 20 | 5,601,190 |
| Depreciation of property, plant and equipment | 4,348 | — | 872 | 5,220 |
| Reversal of impairment loss of other receivables | — | — | (51,217) | (51,217) |
| Net foreign exchange losses | 30 | — | — | 30 |
| Loss from changes in fair value of investment properties | 2,460 | — | — | 2,460 |
| **Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:** | | | | |
| Interest revenue | (155) | — | (45) | (200) |
| Income tax expense | 675 | — | 120 | 795 |

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 6. SEGMENT INFORMATION *(Continued)*

### Other segment information *(Continued)*

### *For the year ended 31 December 2010*

| Continuing operations | Property investment business HK$'000 | Trading and investment business HK$'000 | Retail-related consultancy and management services business HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Amounts included in the measure of segment profit or loss or segment assets:** | | | | |
| Additions to non-current assets (Note) | 571,638 | — | 89 | 571,727 |
| Depreciation of property, plant and equipment | 5,864 | — | 1,984 | 7,848 |
| Impairment loss of other receivables | 12,161 | — | 107,610 | 119,771 |
| Net foreign exchange losses | 146 | — | — | 146 |
| Gain on disposal of property, plant and equipment | (3) | — | — | (3) |
| Loss from changes in fair value of investment properties | 68,965 | — | — | 68,965 |
| Gain from changes in fair value of assets classified as held for sale | (84,669) | — | — | (84,669) |
| **Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:** | | | | |
| Interest revenue | (199) | — | (19) | (218) |
| Interest expense | 85,198 | — | — | 85,198 |
| Income tax expense/(credit) | (9,914) | — | 2,804 | (7,110) |

Note: Non-current assets excluded those relating to discontinued operations.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 6. SEGMENT INFORMATION *(Continued)*

### Information about major customers

The Group's revenue from customers of corresponding years contributing over 10% of total revenue from property investment business and retail-related consultancy and management services business of the Group are as follows:

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Customer A | **—** | 55,058 |
| Customer B | **—** | 45,286 |
| Customer C | **—** | 4,720 |
| Customer D | **9,412** | — |

## 7. OTHER INCOME AND NET GAINS

| **Continuing operations** | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Compensation claims | **—** | 23,343 |
| Interest on bank deposits | **1,260** | 718 |
| Gain on disposal of property, plant and equipment | **—** | 3 |
| Others | **4,601** | 3,154 |
| | **5,861** | 27,218 |

## 8. FINANCE COSTS

| **Continuing operations** | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Interest on bank borrowings: | | |
| — wholly repayable within five years | **—** | 81,675 |
| — not wholly repayable within five years | **—** | 3,523 |
| Effective interest expense on convertible notes (Note 33) | **3,496** | — |
| Effective interest expense on promissory notes (Note 34) | **3,456** | — |
| | **6,952** | 85,198 |

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 9. INCOME TAX EXPENSE/(CREDIT)

| **Continuing operations** | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| **Current tax:** | | |
| PRC Enterprise Income Tax | **288** | 32,478 |
| **Deferred tax** (Note 32): | **(71)** | (39,588) |
| | **217** | (7,110) |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit arising in or derived from Hong Kong for both years. No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profits arising in Hong Kong for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

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

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Loss before tax (from continuing operations) | **(61,101)** | (9,051) |
| Tax at PRC Enterprise Income Tax rate of 25% | **(15,275)** | (2,263) |
| Tax effect of income not taxable for tax purpose | **(14,678)** | (162,037) |
| Tax effect of withholding tax on undistributed profits of PRC subsidiaries | **1,150** | (4,126) |
| Tax effect of expenses not deductible for tax purpose | **29,020** | 163,194 |
| Others | **—** | (1,878) |
| Tax expense/(credit) for the year (relating to continuing operations) | **217** | (7,110) |

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

### 10. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

In around December 2011, the Company initiated a plan to dispose of all of the Group's gasoline and diesel operations. On 6 January 2012, the Company entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Virtue Link Investments Limited and related shareholder's loan for a cash consideration of HK$380,000,000. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules and was completed on 8 February 2012. Virtue Link Investments Limited and its subsidiaries carried out all of the Group's gasoline and diesel operations, which have been classified as discontinued operations. The assets and liabilities attributable to the gasoline and diesel operations have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position.

The results of the gasoline and diesel operations for the period from 28 April 2011 (date of acquisition) to 31 December 2011, which have been included in the consolidated statement of comprehensive income, are as follows:

| | HK$'000 |
|---|---|
| Revenue | 14,344 |
| Change in inventories of work in progress and finished goods | (10,933) |
| Other income and net gains | 56 |
| Amortisation of prepaid land lease | (339) |
| Depreciation of property, plant and equipment | (1,279) |
| Employee benefits expense | (3,370) |
| Impairment loss of other receivables | (2,744) |
| Other operating expenses | (6,885) |
| Finance costs | (4,966) |
| Loss before tax | (16,116) |
| Income tax expense | (20) |
| Loss for the period | (16,136) |

For the year ended 31 December 2011, the gasoline and diesel operations contributed approximately HK$19,772,000 to the Group's net cash outflows from operating activities, approximately HK$18,325,000 to the Group's net cash outflows from investing activities and approximately HK$38,242,000 to the Group's net cash inflows from financing activities.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

### 10. DISCONTINUED OPERATIONS/DISPOSAL GROUP HELD FOR SALE

*(Continued)*

The major classes of assets and liabilities of the gasoline and diesel operations as at 31 December 2011, which have been presented separately in the consolidated statement of financial position, are as follows:

| | HK$'000 |
|---|---|
| Goodwill | 443,550 |
| Property, plant and equipment | 42,195 |
| Prepaid lease payments | 30,745 |
| Inventories | 9,998 |
| Trade receivables | 2,397 |
| Prepayments, deposits and other receivables | 43,829 |
| Bank balances and cash | 447 |
| Total assets classified as held for sale | 573,161 |
| Accrued liabilities and other payables | 20,510 |
| Retention money payable | 122,400 |
| Amounts due to non-controlling interests | 4,981 |
| Other borrowings, secured | 62,316 |
| Total liabilities associated with assets classified as held for sale | 210,207 |

Management of the Group determined that there was no impairment at 31 December 2011 as the net proceeds of disposal exceeded the net carrying amount of the assets and liabilities of the disposal group.

An amount of approximately HK$122,000 relating to the disposal group classified as held for sale has been recognised in other comprehensive expense and accumulated in equity.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

### 11. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging/(crediting):

| Continuing operations | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| Net foreign exchange losses | **356** | 305 |
| (Reversal of)/provision for impairment loss of other receivables (Note) | **(51,217)** | 119,771 |
| Auditors' remuneration | **1,750** | 1,550 |
| Operating lease rentals in respect of premises | | |
| — Minimum lease payments | **48,909** | 42,312 |
| Employee benefits expense (including directors' emoluments) | | |
| — Salaries and other benefits | **16,451** | 20,372 |
| — Contributions to retirement benefits schemes | **449** | 557 |
| | **16,900** | 20,929 |

Note: For the year ended 31 December 2010, the Group had provided for those receivables with evidence indicating that the receivables might not be fully recoverable. For the year ended 31 December 2011, the provision for impairment loss was reversed to the extent that the receivables had been subsequently recovered.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors of the Company are as follows:

| For the year ended 31 December 2011 | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Contributions to retirement benefits schemes HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Executive directors** | | | | |
| Mr. Zhou Cheng Rong (Note (a)) | – | 350 | – | 350 |
| Mr. Wu Hong Guang (Note (b)) | – | 233 | – | 233 |
| Mr. Dai Peng (Note (c)) | – | 215 | – | 215 |
| Ms. Tin Yuen Sin Carol (Note (d)) | – | 1,250 | 8 | 1,258 |
| Mr. Zhang Feng (Note (e)) | – | 287 | – | 287 |
| Mr. Li Sai Ho (Note (f)) | – | – | – | – |
| Mr. Xu Yi | – | 1,200 | – | 1,200 |
| Mr. Ho Kam Chuen Alex (Note (g)) | – | 782 | 7 | 789 |
| Mr. Hon Ming Sang | – | 1,040 | 12 | 1,052 |
| **Non-executive director** | | | | |
| Mr. Wang John Peter Ben (Note (j)) | – | 1,200 | – | 1,200 |
| **Independent non-executive directors** | | | | |
| Mr. Chan Wai Yip Freeman | 100 | – | – | 100 |
| Mr. Ng Ka Chung Simon | 100 | – | – | 100 |
| Ms. Leung Po Ying Iris | 100 | – | – | 100 |
| | 300 | 6,557 | 27 | 6,884 |

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 12. DIRECTORS' EMOLUMENTS *(Continued)*

| For the year ended 31 December 2010 | Fees HK$'000 | Salaries, allowances and benefits in kind HK$'000 | Contributions to retirement benefits schemes HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Executive directors** | | | | |
| Ms. Tin Yuen Sin Carol | — | 1,775 | 12 | 1,787 |
| Mr. Zhang Feng | — | 200 | — | 200 |
| Mr. Li Sai Ho | — | — | — | — |
| Mr. Xu Yi | — | 1,200 | — | 1,200 |
| Mr. Ho Kam Chuen Alex (Note (g)) | — | 1,129 | 12 | 1,141 |
| Mr. Hon Ming Sang (Note (h)) | — | 895 | 28 | 923 |
| Mr. Fok Wai Ming Eddie (Note (i)) | — | — | — | — |
| **Non-executive director** | | | | |
| Mr. Wang John Peter Ben | — | 1,200 | — | 1,200 |
| **Independent non-executive directors** | | | | |
| Mr. Chan Wai Yip Freeman | 100 | — | — | 100 |
| Mr. Ng Ka Chung Simon | 100 | — | — | 100 |
| Ms. Leung Po Ying Iris | 100 | — | — | 100 |
| | 300 | 6,399 | 52 | 6,751 |

Notes:

(a) Mr. Zhou Cheng Rong was appointed as an executive director on 8 June 2011.
(b) Mr. Wu Hong Guang was appointed as an executive director on 8 June 2011.
(c) Mr. Dai Peng was appointed as an executive director on 23 August 2011.
(d) Ms. Tin Yuen Sin Carol resigned as an executive director on 31 August 2011.
(e) Mr. Zhang Feng resigned as an executive director on 8 June 2011.
(f) Mr. Li Sai Ho resigned as an executive director on 8 June 2011.
(g) Mr. Ho Kam Chuen Alex was appointed as an executive director on 14 January 2010 and resigned on 13 July 2011.
(h) Mr. Hon Ming Sang was appointed as an executive director on 14 January 2010.
(i) Mr. Fok Wai Ming Eddie resigned as an executive director on 14 January 2010.
(j) Mr. Wang John Peter Ben resigned as a non-executive director on 1 March 2012.

During both years, no emoluments were paid by the Group to the Company's directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Company's directors has waived or agreed to waive any emoluments during both years.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 13. EMPLOYEES' EMOLUMENTS

All of the five highest paid individuals in the Group in 2011 and 2010 were directors of the Company and details of their emoluments are included in Note 12 above.

## 14. DIVIDENDS

No dividend was paid or proposed in respect of the year ended 31 December 2011 (2010: Nil), nor has any dividend been proposed since the end of the reporting period.

## 15. LOSS PER SHARE

### For continuing and discontinued operations

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

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Loss for the purpose of calculating basic and diluted loss per share | | |
| Loss for the year | **(69,547)** | (1,941) |

**Number of shares**

| | **2011** | 2010 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share | **1,185,969,726** | 1,095,542,931 |

### From continuing operations

The calculation of the basic and diluted loss per share from continuing operations is based on the following data:

Loss is calculated as follows:

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Loss for the year attributable to owners of the Company | **(69,547)** | (1,941) |
| Less: loss for the year from discontinued operations | **8,229** | — |
| Loss for the purpose of calculating basic and diluted loss per share from continuing operations | **(61,318)** | (1,941) |

The denominators used are the same as those detailed above for both basic and diluted loss per share.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 15. LOSS PER SHARE *(Continued)*

### From discontinued operations

Basic and diluted loss per share for the discontinued operations is HK$0.007 per share (2010: Nil), based on the loss for the year from the discontinued operations of approximately HK$8,229,000 (2010: Nil) and the denominators used are the same as those detailed above for both basic and diluted loss per share.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share from continuing operations.

## 16. INVESTMENTS IN SUBSIDIARIES

**The Company**

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Unlisted shares at cost | **4,178,419** | 1 |
| Amounts due from subsidiaries | **1,569,457** | 1,049,391 |
| Less: provision for impairment of amounts due from subsidiaries | **(7,809)** | — |
| | **1,561,648** | 1,049,391 |
| | **5,740,067** | 1,049,392 |

Particulars of the Company's principal subsidiaries at 31 December 2011 are set out in Note 46. During the year ended 31 December 2011, the directors of the Company reviewed the carrying values of the investments. The recoverable amounts of these investments are determined with reference to the directors' estimate of discounted future cash flows and net assets of these investments as at the end of the reporting period.

The amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand. The provision was determined on the basis of the amounts recoverable from the subsidiaries with reference to the estimated fair value of the underlying assets held by subsidiaries.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

# 17. PROPERTY, PLANT AND EQUIPMENT

### The Group

| | Land and buildings HK$'000 | Leasehold improvements HK$'000 | Plant and machinery HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **COST** | | | | | | | |
| At 1 January 2010 | 10,004 | 12,605 | 600 | 9,032 | 15,558 | – | 47,799 |
| Additions | – | 3 | – | 2,855 | – | – | 2,858 |
| Acquired on acquisition of subsidiaries (Note 35(c)&(d)) | 13,271 | 9,408 | 2,132 | 75 | 809 | – | 25,695 |
| Derecognised on disposal of subsidiaries | (10,448) | (1,413) | – | (8,672) | (16,139) | – | (36,672) |
| Disposals | – | – | – | (29) | – | – | (29) |
| Exchange adjustments | 624 | 548 | 48 | 505 | 592 | – | 2,317 |
| At 31 December 2010 | 13,451 | 21,151 | 2,780 | 3,766 | 820 | – | 41,968 |
| Additions | – | 2,660 | 34 | 58 | 1,180 | 5,532 | 9,464 |
| Acquired on acquisition of subsidiaries (Note 35(a)&(b)) | 1,763 | 42 | 3,410 | 2,576 | 7,616 | 2,157,068 | 2,172,475 |
| Reclassified as held for sale (Note 10) | (1,813) | (2,725) | (3,542) | (698) | (1,931) | (32,776) | (43,485) |
| Exchange adjustments | 542 | 788 | 200 | 156 | 77 | 802 | 2,565 |
| **At 31 December 2011** | **13,943** | **21,916** | **2,882** | **5,858** | **7,762** | **2,130,626** | **2,182,987** |
| **DEPRECIATION AND IMPAIRMENT** | | | | | | | |
| At 1 January 2010 | 664 | 8,364 | 572 | 4,741 | 2,018 | – | 16,359 |
| Provided for the year | 1,973 | 2,472 | 145 | 1,061 | 2,197 | – | 7,848 |
| Eliminated on disposals of subsidiaries | (2,895) | (991) | – | (3,058) | (4,422) | – | (11,366) |
| Eliminated on disposal of assets | – | – | – | (10) | – | – | (10) |
| Exchange adjustments | 339 | 365 | 27 | 405 | 268 | – | 1,404 |
| At 31 December 2010 | 81 | 10,210 | 744 | 3,139 | 61 | – | 14,235 |
| Provided for the year | 1,063 | 2,451 | 2,043 | 231 | 887 | – | 6,675 |
| Reclassified as held for sale (Note10) | (290) | (112) | (344) | (141) | (403) | – | (1,290) |
| Exchange adjustments | 16 | 406 | 54 | 117 | 10 | – | 603 |
| **At 31 December 2011** | **870** | **12,955** | **2,497** | **3,346** | **555** | **–** | **20,223** |
| **CARRYING AMOUNTS** | | | | | | | |
| **At 31 December 2011** | **13,073** | **8,961** | **385** | **2,512** | **7,207** | **2,130,626** | **2,162,764** |
| At 31 December 2010 | 13,370 | 10,941 | 2,036 | 627 | 759 | – | 27,733 |

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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

| | |
|---|---|
| Land and buildings | Over the shorter of the term of the lease or 2-5% |
| Leasehold improvements | Over the shorter of the term of the lease or 10% |
| Plant and machinery | 7 to 10 years |
| Furniture, fixtures and equipment | 6.66%-33.33% |
| Motor vehicles | 20%-33.33% |
| Construction in progress | Nil |

The Group's land and buildings and construction in progress are situated in the PRC and held under medium-term lease.

The Group has pledged construction in progress with a carrying amounts of approximately HK$2,130,626,000 (2010: Nil) as at 31 December 2011 to secure the Group's bank borrowings (Note 31).

## 18. INVESTMENT PROPERTIES

**The Group**

| | **Completed investment properties** HK$'000 | **Investment properties under construction** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| **FAIR VALUE** | | | |
| At 1 January 2010 | — | — | — |
| Acquired on acquisition of subsidiaries (Note 35(c)&(d)) | 545,943 | — | 545,943 |
| Net decrease in fair value recognised in profit or loss | (68,965) | — | (68,965) |
| Exchange adjustments | 5,618 | — | 5,618 |
| At 31 December 2010 | 482,596 | — | 482,596 |
| Acquired on acquisition of subsidiaries (Note 35(a)) | — | 2,574,609 | 2,574,609 |
| Net decrease in fair value recognised in profit or loss | (2,460) | — | (2,460) |
| Exchange adjustments | 15,828 | — | 15,828 |
| **At 31 December 2011** | **495,964** | **2,574,609** | **3,070,573** |

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

### 18. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties at 31 December 2011 and 2010 have been arrived at on the basis of a valuation carried out on that date by RHL Appraisal Limited ("RHL") and Vigers Appraisal and Consulting Limited ("Vigers"), independent qualified professional valuers not connected with the Group. RHL and Vigers had appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations, which conformed to Hong Kong Institute of Surveyors Valuation Standards on Properties, were made on the basis of market value.

The valuations of investment properties under construction have been arrived at adopting direct comparison approach with reference to comparable transactions in the locality and assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained.

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

As at 31 December 2011, the Group's investment properties under construction with a carrying amount of approximately HK$2,574,609,000 (2010: Nil) have been pledged to secure the Group's bank borrowings (Note 31).

As at 31 December 2011, the Group's completed investment properties with a carrying amount of approximately HK$48,312,000 (2010: Nil) are subject to certain restrictions in the event of transfer.

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Land outside Hong Kong: | | |
| Long-term lease | **2,202** | 2,124 |
| Medium-term lease | **3,068,371** | 480,472 |
| | **3,070,573** | 482,596 |

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 19. GOODWILL

**The Group**

| | **Discontinued operations** Gasoline and diesel operations **(Unit A)** HK$'000 | **Continuing operations** Property investment operations **(Unit B)** HK$'000 | **Total** HK$'000 |
|---|---|---|---|
| COST | | | |
| At 1 January 2010 and 31 December 2010 | — | — | — |
| Arising on acquisition of subsidiaries (Note 35(a)&(b)) | 443,550 | 521,002 | 964,552 |
| Reclassified as held for sale (Note 10) | (443,550) | — | (443,550) |
| **At 31 December 2011** | **—** | **521,002** | **521,002** |

### *Impairment testing on goodwill*

For the purposes of impairment testing, goodwill has been allocated to two individual cash generating units ("CGUs"). The basis of the recoverable amounts of the CGUs and their major underlying assumptions are summarised below:

### Unit A

On 28 April 2011, the Group acquired 51% of the equity interest in Wide Merit Limited ("Wide Merit") and related shareholder's loan, resulting in a goodwill of approximately HK$443,550,000 for the gasoline and diesel operations.

As detailed in Note 10, on 6 January 2012, the Company entered into a sale and purchase agreement to dispose of its gasoline and diesel operations for a cash consideration of HK$380,000,000. The recoverable amount of gasoline and diesel operations, measured at the higher of the value in use and fair value less costs to sell, was higher than its carrying amount.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 19. GOODWILL *(Continued)*

### *Impairment testing on goodwill* *(Continued)*

### Unit B

On 21 December 2011, the Group acquired the entire equity interest in Easy Linkage Development Limited ("Easy Linkage") and related shareholder's loan, resulting in a goodwill of approximately HK$521,002,000 for the property investment operations.

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a period of 5 years, and cash flows beyond 5 years are extrapolated by assuming 4% growth rate and a discount rate of 17.77% per annum. The key assumptions for the value in use calculation are those regarding the discount rate, budgeted sales and expected gross margins during the budget period and the same construction materials price inflation during the budget period. Expected cash inflows/outflows, which include budgeted sales, gross margin and construction materials price inflation have been determined based on past performance and management's expectations for the market development. The management estimates discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. In performing the impairment testing, the directors of the Company have also made reference to a valuation performed by an independent professional valuer.

During the year ended 31 December 2011, management of the Group determined that there was no impairment of goodwill.

## 20. PREPAID LEASE PAYMENTS

**The Group**

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| At beginning of the year | **—** | — |
| Acquired on acquisition of subsidiaries (Note 35(b)) | **20,660** | — |
| Additions | **9,754** | — |
| Amortisation | **(339)** | — |
| Exchange adjustments | **670** | — |
| Reclassified as held for sale (Note 10) | **(30,745)** | — |
| **At the end of the year** | **—** | — |

The Group's prepaid lease payments are held under medium-term lease and situated in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 21. PROPERTIES FOR SALE

**The Group**

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Properties under development for sale | **4,378,669** | — |

The Group's properties under development for sale with a carrying amount of approximately HK$4,378,669,000 as at 31 December 2011 (2010: Nil) have been pledged to secure bank borrowings (Note 31).

The properties for sale are situated in the PRC.

## 22. TRADE RECEIVABLES

**The Group**

The Group has different credit policies for different business operations depending on the requirements of the markets and businesses in which the subsidiaries operate. Trade receivables comprise (i) receivables arising from sales of properties which are due for settlement in accordance with the terms of the related sale and purchase agreements; (ii) rental receivables which are due for settlement upon issuance of monthly debit notes to the tenants; and (iii) receivables arising from provision of services which are due for settlement in accordance with the terms of the related service agreements and due within 60-180 days from the date of billing.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting period:

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| 0 — 30 days | **4,483** | 10,297 |
| 31 — 60 days | **—** | — |
| 61 — 90 days | **22** | 6 |
| Over 90 days | **27,745** | 22,572 |
| | **32,250** | 32,875 |

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$27,745,000 (2010: HK$22,572,000) which are past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over the balance arising from provision of services and rental income nor does it have a legal right of offset against any amount owed by the Group to the counterparty. The Group has collateral over the balance from sales of properties.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 22. TRADE RECEIVABLES *(Continued)*

### Ageing of trade receivables which are past due but not impaired

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| Over 90 days | **27,745** | 22,572 |

### Movement in the allowance for doubtful debts

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| 1 January | **330** | 6,915 |
| Eliminated on disposal of subsidiaries | **—** | (6,585) |
| 31 December | **330** | 330 |

## 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2011 HK$'000 | 2010 HK$'000 | 2011 HK$'000 | 2010 HK$'000 |
| Prepayments | **283,225** | 286 | **249** | 286 |
| Deposits | **26,970** | 24,577 | **—** | — |
| Other receivables | **42,497** | 59,973 | **20,300** | 55,000 |
| | **352,692** | 84,836 | **20,549** | 55,286 |

## 24. HELD FOR TRADING INVESTMENTS

**The Group**

| | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|
| Equity securities listed in Hong Kong | **85,504** | — |

The fair values of all equity securities are determined based on the quoted market bid prices at the end of the reporting period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 25. BANK BALANCES AND DEPOSITS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Bank deposits | **458,069** | — | **—** | — |
| Bank balances and cash | **827,930** | 579,543 | **15,069** | 428,849 |
| | **1,285,999** | 579,543 | **15,069** | 428,849 |

Bank balances and deposits of the Group and the Company comprise bank balances and cash held and short-term bank deposits that are interest-bearing at market interest rate and have original maturity of three months or less. The Group's bank deposits carry interest rates ranging from Nil to 1.49% (2010: Nil to 1.35%) per annum.

At 31 December 2011, approximately 8% (2010: 97%) of the Group's bank balances and deposits are denominated in Hong Kong dollars, 33% (2010: Nil) in United States dollars and 59% (2010: 3%) in Renminbi. Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

As at 31 December 2011, the Group's bank balances and deposits of approximately HK$14,015,000 (2010: Nil) are solely for certain designated property development projects in the PRC.

## 26. TRADE PAYABLES

**The Group**

Trade payables comprise amounts outstanding for trade purposes and ongoing costs.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

| | **2011** | 2010 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 — 30 days | **35,154** | — |
| 31 — 60 days | **—** | — |
| 61 — 90 days | **—** | — |
| Over 90 days | **1,436** | 2,177 |
| | **36,590** | 2,177 |

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

### 27. ACCRUED LIABILITIES AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Construction costs payable | **244,064** | — | **—** | — |
| Rental deposits received | **13,180** | 13,305 | **—** | — |
| Other payables | **229,048** | 213,013 | **60,005** | 60,009 |
| Accruals | **7,362** | 7,169 | **3,583** | 2,404 |
| | **493,654** | 233,487 | **63,588** | 62,413 |

### 28. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

**The Group**

| | **2011** | 2010 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Carrying amount repayable: | | |
| Within one year | **51,382** | — |
| More than one year but not exceeding two years | **122,309** | — |
| | **173,691** | — |

The amounts due are unsecured and interest free.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

### 29. SHARE CAPITAL

| | Notes | Ordinary shares of HK$0.2 each | Amount HK$'000 |
|---|---|---|---|
| **Authorised:** | | | |
| At 1 January 2010 and 31 December 2010 | | 5,000,000,000 | 1,000,000 |
| Increase on 9 December 2011 | (a) | 10,000,000,000 | 2,000,000 |
| **At 31 December 2011** | | **15,000,000,000** | **3,000,000** |
| **Issued and fully paid:** | | | |
| At 1 January 2010 and 31 December 2010 | | 1,095,542,931 | 219,109 |
| Issue of shares by way of placing | (b) | 2,000,000,000 | 400,000 |
| Issue of shares in consideration for acquisition of subsidiaries | (c) | 1,300,578,034 | 260,115 |
| **At 31 December 2011** | | **4,396,120,965** | **879,224** |

Notes:

(a) Pursuant to an ordinary resolution passed by the Company's shareholders at the special general meeting held on 9 December 2011, the authorised share capital of the Company was increased from HK$1,000,000,000 to HK$3,000,000,000 by creation of an additional 10,000,000,000 shares of HK$0.2 each.

(b) On 21 December 2011, the Company allotted and issued 2,000,000,000 ordinary shares of HK$0.2 each in the capital of the Company by way of placing at a placing price of HK$0.38 per share. The gross proceeds of HK$760,000,000 were used for settlement of part of the consideration for the acquisition of Easy Linkage Development Limited.

(c) On 21 December 2011, the Company allotted and issued 1,300,578,034 ordinary shares of HK$0.2 each in the capital of the Company at an issue price of HK$0.455 to the Vendor for payment of part of the consideration for the acquisition of Easy Linkage Development Limited.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 30. SHARE PREMIUM AND RESERVES

### The Company

| | Share premium HK$'000 | Contributed surplus HK$'000 | Convertible notes equity reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 January 2010 | 1,887,839 | 9,404 | — | (5,739) | 1,891,504 |
| Loss for the year | — | — | — | (421,103) | (421,103) |
| At 31 December 2010 | 1,887,839 | 9,404 | — | (426,842) | 1,470,401 |
| Loss for the year | — | — | — | (30,950) | (30,950) |
| Recognition of equity component of convertible notes | — | — | 809,429 | — | 809,429 |
| Deferred tax liability on recognition of equity component of convertible notes | — | — | (133,555) | — | (133,555) |
| Issue of shares by way of placing | 360,000 | — | — | — | 360,000 |
| Transaction costs attributable to issue of shares | (22,860) | — | — | — | (22,860) |
| Acquisition of subsidiaries (Note 35(a)) | 331,648 | — | — | — | 331,648 |
| **At 31 December 2011** | **2,556,627** | **9,404** | **675,874** | **(457,792)** | **2,784,113** |

## 31. BANK BORROWINGS, SECURED

### The Group

| | **2011 HK$'000** | 2010 HK$'000 |
|---|---|---|
| Carrying amount repayable: | | |
| More than one year but not exceeding two years | **880,626** | — |

The bank borrowings are denominated in Renminbi and carry interest at the prevailing interest rate of the People's Bank of China.

The effective interest rate on the Group's bank borrowings is approximately 6.44% (2010: Nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

### 31. BANK BORROWINGS, SECURED *(Continued)*

The Group's bank borrowings were secured by:

| | **2011** | 2010 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Investment properties (Note 18) | **2,574,609** | — |
| Property, plant and equipment (Note 17) | **2,130,626** | — |
| Properties for sale (Note 21) | **4,378,669** | — |
| | **9,083,904** | — |

### 32. DEFERRED TAXATION

**The Group**

The following are the major deferred tax balances recognised and the movements thereon during the current and prior years:

| **Deferred tax liabilities:** | **Convertible notes** | **Undistributed profits of subsidiaries** | **Revaluation of properties** | **Total** |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 January 2010 | — | — | 382,689 | 382,689 |
| Acquisition of subsidiaries (Note 35(c)&(d)) | — | 22,814 | 96,351 | 119,165 |
| Exchange adjustments | — | 159 | 10,402 | 10,561 |
| Disposals of subsidiaries (Note 36) | — | — | (374,089) | (374,089) |
| Credited to profit or loss | — | (4,126) | (35,462) | (39,588) |
| At 31 December 2010 | — | 18,847 | 79,891 | 98,738 |
| Acquisition of subsidiaries (Note 35(a)) | — | 46,593 | 1,730,987 | 1,777,580 |
| Charge to equity for the year | 133,555 | — | — | 133,555 |
| Exchange adjustments | — | — | 2,913 | 2,913 |
| (Credited)/charged to profit or loss | (576) | 1,150 | (645) | (71) |
| **At 31 December 2011** | **132,979** | **66,590** | **1,813,146** | **2,012,715** |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 32. DEFERRED TAXATION *(Continued)*

**Deferred tax assets:**

At the end of the reporting period, the Group has unused tax losses of approximately HK$13,677,000 (2010: HK$25,170,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

**The Company**

The following are the major deferred tax balances recognised and the movements thereon during the current and prior years:

| **Deferred tax liabilities:** | **Convertible notes** HK$'000 |
|---|---|
| At 1 January 2010 and 31 December 2010 | — |
| Charge to equity for the year | 133,555 |
| Credited to profit or loss | (576) |
| **At 31 December 2011** | **132,979** |

## 33. CONVERTIBLE NOTES

**The Group and the Company**

On 21 December 2011, the Company issued unlisted convertible notes with a principal amount of HK$1,500,000,000 to the Vendor as part of the consideration for the acquisition of the entire equity interest in Easy Linkage Development Limited as detailed in Note 35(a). The convertible notes are unsecured, non-interest bearing and have a term of 5 years. The convertible notes are convertible at the option of the holder into ordinary shares of the Company on or before maturity at a conversion price of HK$0.346 per share (subject to anti-dilutive adjustment). The Company has the right to early redeem the convertible notes at the redemption amount before maturity. If the conversion right is not exercised by the holder, the convertible notes not converted will be redeemed on maturity at 100% of their principal amount.

The convertible notes contain two components, liability (together with embedded derivative for early redemption option by the Company which is closely related to the host debt) and equity elements. The equity element is presented in equity under the heading of "convertible notes equity reserve". The effective interest rate of the liability component is 16.591% at the date of initial recognition.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 33. CONVERTIBLE NOTES *(Continued)*

The movement of liability component of the convertible notes is as follows:

| | HK$'000 |
|---|---|
| Principal amount of convertible notes issued (Note 35(a)) | 1,500,000 |
| Equity component | (809,429) |
| At date of issue | 690,571 |
| Interest charged (Note 8) | 3,496 |
| **Carrying amount of convertible notes as at 31 December 2011** | **694,067** |

## 34. PROMISSORY NOTES

**The Group and the Company**

On 21 December 2011, the Company issued promissory notes with a principal amount of HK$1,100,000,000 to the Vendor as part of the consideration for the acquisition of the entire equity interest in Easy Linkage Development Limited as detailed in Note 35(a).

The promissory notes are unsecured, interest bearing at 3.5% per annum and have a term of 3 years from the date of issue. The promissory notes were fair valued at initial recognition with an effective interest rate of 13.781% per annum.

Interest charged on the promissory notes is calculated using the effective interest method by applying the effective interest rate of 13.781% to the liability.

| | HK$'000 |
|---|---|
| At date of issue (Note 35(a)) | 836,655 |
| Interest charged (Note 8) | 3,456 |
| **Carrying amount of promissory notes as at 31 December 2011** | **840,111** |

## 35. ACQUISITION OF SUBSIDIARIES

**Year ended 31 December 2011:**

### (a) Acquisition of Easy Linkage Development Limited and its subsidiaries (the "Easy Linkage Group")

On 21 December 2011, the Group acquired the entire equity interest in Easy Linkage Development Limited and related shareholder's loan. Goodwill arising as a result of the acquisition was approximately HK$521,002,000. The Easy Linkage Group is principally engaged in the property investment business in the PRC.

**Consideration transferred**

| | HK$'000 |
|---|---|
| Cash | 1,250,000 |
| Consideration shares (Note) | 591,763 |
| Convertible notes (Note 33) | 1,500,000 |
| Promissory notes (Note 34) | 836,655 |
| **Total** | **4,178,418** |

Note: The fair value of the consideration shares was based on the published market share price of HK$0.455 per share at the date of exchange.

Acquisition-related costs amounting to approximately HK$4,478,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the "other operating expenses" line item in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 35. ACQUISITION OF SUBSIDIARIES *(Continued)*

**Year ended 31 December 2011:** *(Continued)*

### (a) Acquisition of Easy Linkage Development Limited and its subsidiaries (the "Easy Linkage Group") *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

| | **Fair value** |
|---|---|
| | HK$'000 |
| Investment properties | 2,574,609 |
| Property, plant and equipment | 2,138,615 |
| Prepayments on construction contracts | 366,927 |
| Properties for sale | 4,378,669 |
| Prepayments, deposits and other receivables | 247,271 |
| Bank balances and deposits | 1,161,374 |
| Trade payables | (35,154) |
| Deposits from sale of properties | (1,617,059) |
| Accrued liabilities and other payables | (256,594) |
| Shareholder's loan | (658,437) |
| Amounts due to non-controlling interests | (173,691) |
| Bank borrowings, secured | (880,626) |
| Deferred tax liabilities | (1,777,580) |
| | 5,468,324 |
| **Goodwill arising on acquisition:** | |
| Consideration transferred | 4,178,418 |
| Shareholder's loan | (658,437) |
| Add: non-controlling interests (Note) | 2,469,345 |
| Less: net assets acquired | (5,468,324) |
| Goodwill arising on acquisition | 521,002 |

Note: The non-controlling interests recognised at the acquisition date were measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of the Easy Linkage Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Easy Linkage Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 35. ACQUISITION OF SUBSIDIARIES *(Continued)*

**Year ended 31 December 2011:** *(Continued)*

### (a) Acquisition of Easy Linkage Development Limited and its subsidiaries (the "Easy Linkage Group") *(Continued)*

| | HK$'000 |
|---|---|
| **Net cash outflow on acquisition of the Easy Linkage Group:** | |
| Cash consideration paid | 1,250,000 |
| Less: cash and cash equivalent balances acquired | (1,161,374) |
| | 88,626 |

The Easy Linkage Group had no significant contribution to the Group's revenue and results for the year between the date of acquisition and 31 December 2011.

Had the acquisition been completed on 1 January 2011, total group revenue for the year would have been approximately (HK$12,605,000), and profit for the year would have been approximately HK$214,432,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

### (b) Acquisition of Wide Merit Limited and its subsidiaries (the "Wide Merit Group")

On 28 April 2011, the Group acquired 51% equity interest in Wide Merit Limited and related shareholder's loan for a cash consideration of HK$489,600,000. The Wide Merit Group is principally engaged in gasoline and diesel operations in the PRC.

Total consideration satisfied by:

| | HK$'000 |
|---|---|
| Cash consideration paid | 367,200 |
| Retention money payable | 122,400 |
| **Total** | **489,600** |

Acquisition-related costs amounting to approximately HK$1,866,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the "other operating expenses" line item in the consolidated statement of comprehensive income.

## 35. ACQUISITION OF SUBSIDIARIES *(Continued)*

**Year ended 31 December 2011:** *(Continued)*

### (b) Acquisition of Wide Merit Limited and its subsidiaries (the "Wide Merit Group") *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follows:

| | **Fair value** |
|---|---|
| | HK$'000 |
| Property, plant and equipment | 33,860 |
| Prepaid lease payments | 20,660 |
| Inventories | 15,564 |
| Prepayments, deposits and other receivables | 47,060 |
| Bank balances and cash | 967 |
| Accrued liabilities and other payables | (32,228) |
| Shareholder's loan | (48,543) |
| Amounts due to non-controlling interests | (3,530) |
| Other borrowings, secured | (35,850) |
| | (2,040) |
| **Goodwill arising on acquisition:** | |
| Consideration transferred | 489,600 |
| Shareholder's loan | (48,543) |
| Add: non-controlling interests (Note) | 453 |
| Add: net liabilities assumed | 2,040 |
| Goodwill arising on acquisition (Note 19) | 443,550 |

Note: The non-controlling interests recognised at the acquisition date were measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of the Wide Merit Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Wide Merit Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 35. ACQUISITION OF SUBSIDIARIES *(Continued)*

**Year ended 31 December 2011:** *(Continued)*

### (b) Acquisition of Wide Merit Limited and its subsidiaries (the "Wide Merit Group") *(Continued)*

| | HK$'000 |
|---|---|
| **Net cash outflow on acquisition of the Wide Merit Group:** | |
| Cash consideration paid | 367,200 |
| Less: cash and cash equivalent balances acquired | (967) |
| | 366,233 |

The Wide Merit Group contributed approximately HK$16,136,000 and HK$14,344,000 to the Group's loss and revenue for the period between the date of acquisition and 31 December 2011, respectively.

Had the acquisition been completed on 1 January 2011, total group revenue for the year would have been approximately HK$14,627,000 and loss for the year would have been approximately HK$92,759,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

**Year ended 31 December 2010:**

### (c) Acquisition of Angel Fay Limited and its subsidiary (the "Angel Fay Group")

On 13 December 2010, the Group acquired the entire equity interest in Angel Fay Limited for a cash consideration of HK$210,000,000. The Angel Fay Group was principally engaged in property investments in the PRC. Acquisition-related costs amounting to approximately HK$397,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the "other operating expenses" line item in the consolidated statement of comprehensive income.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 35. ACQUISITION OF SUBSIDIARIES *(Continued)*

**Year ended 31 December 2010:** *(Continued)*

### (c) Acquisition of Angel Fay Limited and its subsidiary (the "Angel Fay Group") *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follow:

| | **Fair value** |
|---|---|
| | HK$'000 |
| Investment properties | 277,681 |
| Property, plant and equipment | 18,853 |
| Bank balances and cash | 2,300 |
| Accrued liabilities and other payables | (1,126) |
| Deferred tax liabilities | (84,993) |
| | 212,715 |
| Gain on a bargain purchase | (2,715) |
| Total consideration satisfied by cash | 210,000 |
| **Net cash outflow on acquisition of the Angel Fay Group:** | |
| Cash consideration paid | 210,000 |
| Less: cash and cash equivalent balances acquired | (2,300) |
| | 207,700 |

### (d) Acquisition of Champion Concept Limited and its subsidiaries (the "Champion Group")

On 19 October 2010, the Group acquired the entire equity interest in Champion Concept Limited for a cash consideration of HK$225,000,000. The Champion Group was principally engaged in property investments in the PRC. Acquisition-related costs amounting to approximately HK$531,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the "other operating expenses" line item in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 35. ACQUISITION OF SUBSIDIARIES *(Continued)*

**Year ended 31 December 2010:** *(Continued)*

### (d) Acquisition of Champion Concept Limited and its subsidiaries (the "Champion Group") *(Continued)*

Assets acquired and liabilities recognised at the date of acquisition are as follow:

| | **Fair value** HK$'000 |
|---|---:|
| Investment properties | 268,262 |
| Property, plant and equipment | 6,842 |
| Trade receivables | 6,382 |
| Prepayments, deposits and other receivables | 1,726 |
| Bank balances and cash | 13,686 |
| Accrued liabilities and other payables | (36,403) |
| Deferred tax liabilities | (34,172) |
| | 226,323 |
| Gain on a bargain purchase | (1,323) |
| Total consideration satisfied by cash | 225,000 |
| **Net cash outflow on acquisition of the Champion Group:** | |
| Cash consideration paid | 225,000 |
| Less: cash and cash equivalent balances acquired | (13,686) |
| | 211,314 |

## 36. DISPOSAL OF SUBSIDIARIES

On 8 September 2010, the Company entered into a sale and purchase agreement with an independent third party, to dispose of the Group's entire equity interest in Winner Grace International Limited and Firm Top Investments Limited and their respective sale loans at a cash consideration of HK$1,200,000,000. The disposal constituted a very substantial disposal on the part of the Company under the Listing Rules and was approved by the Company's shareholders at a special general meeting held on 9 November 2010. The disposal was completed on 30 November 2010.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

### 36. DISPOSAL OF SUBSIDIARIES *(Continued)*

Analysis of assets and liabilities over which control was lost:

| | HK$'000 |
|---|---|
| Property, plant and equipment | 25,306 |
| Pledged bank deposits | 24,926 |
| Bank balances and cash | 89,160 |
| Trade receivables | 58,930 |
| Prepayments, deposits and other receivables | 445,501 |
| Amounts due from the Group | 7,514 |
| Properties held for sale | 99,163 |
| Assets classified as held for sale | 2,351,254 |
| Trade payables | (213,660) |
| Accrued liabilities and other payables | (107,793) |
| Amount due to the Company | (1,605,061) |
| Bank borrowings, secured | (1,217,072) |
| Taxation payable | (13,590) |
| Deferred tax liabilities | (374,089) |
| | (429,511) |
| Release of translation reserve | (147,691) |
| Non-controlling interests | (2) |
| Sale loans | 1,605,061 |
| Gain on disposal of subsidiaries | 172,143 |
| | 1,200,000 |
| Satisfied by: | |
| Cash consideration received | 600,000 |
| Deferred cash consideration receivable | 600,000 |
| | 1,200,000 |
| Net cash inflow on disposal of subsidiaries: | |
| Cash consideration received | 600,000 |
| Less: cash and cash equivalent balances disposed of | (89,160) |
| | 510,840 |

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 37. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to related items in the consolidated statement of financial position as follows:

**The Group**

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Bank balances and deposits (Note 25) | **1,285,999** | 579,543 |
| Bank balances and cash included in a disposal group assets classified as held for sale (Note 10) | **447** | — |
| | **1,286,446** | 579,543 |

## 38. OPERATING LEASES

**The Group as lessee**

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

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Within one year | **49,479** | 42,868 |
| In the second to fifth years inclusive | **97,109** | 165,638 |
| Over five years | **165,235** | 122,053 |
| | **311,823** | 330,559 |

Operating lease payments represent rentals payable by the Group for certain offices premises and retail shops. Leases are negotiated for an average term of 1 to 20 years with fixed rentals.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 38. OPERATING LEASES *(Continued)*

**The Group as lessor**

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

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Within one year | **66,636** | 75,875 |
| In the second to fifth years inclusive | **163,129** | 212,905 |
| Over five years | **81,345** | 113,814 |
| | **311,110** | 402,594 |

Property rental income represents rentals receivable by the Group. Leases are negotiated for an average term of 1 to 15 years with fixed rentals.

## 39. CAPITAL COMMITMENTS

| | **2011** **HK$'000** | 2010 HK$'000 |
|---|---|---|
| Capital expenditure | | |
| — Contracted but not provided for | **2,472,135** | — |

The above commitments include mainly the construction related costs on development of the Group's investment properties, property, plant and equipment and properties for sale in the PRC.

## 40. SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002, the Company adopted the share option scheme ("New Option Scheme") to replace the share option scheme adopted on 21 January 1994 ("Old Option Scheme"). All the options granted under the Old Option Scheme shall remain valid and unchanged and shall be treated in accordance with the terms under the Old Option Scheme. The major terms of the New Option Scheme are summarised as follows:

(a) The purpose was to provide incentives to:

(i) award and retain the participants who have made contributions to the Group; or

(ii) attract potential candidates to serve the Group for the benefit of the development of the Group.

(b) The participants included any employee, director, consultant, adviser or agent of any member of the Group.

(c) The maximum number of shares in respect of which options might be granted under the New Option Scheme must not exceed 10% of the issued share capital of the Company as at the date of approval of the New Option Scheme and such limit might be refreshed by shareholders in general meeting. However, the total maximum number of shares which might be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option scheme must not exceed 30% of the shares in issue from time to time.

(d) The maximum number of shares in respect of which options might be granted to a participant, when aggregated with shares issued and issuable (including exercised and outstanding options and the options cancelled) under any option granted to the same participant under the New Option Scheme or any other share option scheme within any 12 month period, must not exceed 1% of the shares in issue from time to time.

(e) There was no requirement for a grantee to hold the option for a certain period before exercising the option save as determined by the board of directors and provided in the offer of grant of option.

(f) The exercise period should be any period fixed by the board of directors upon grant of the option but in any event the option period should not go beyond 10 years from the date of offer for grant.

(g) The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK$1 from the grantee to the Company.

## 40. SHARE OPTION SCHEME *(Continued)*

(h) The exercise price of an option must be the highest of:

(i) the closing price of the shares on the date of grant which day must be a trading day;

(ii) the average closing price of the shares for the 5 trading days immediately preceding the date of grant; and

(iii) the nominal value of the share.

(i) The life of the New Option Scheme is effective for 10 years from the date of adoption until 18 February 2012.

There were no outstanding share options at 31 December 2010 and 2011. No share options were granted, exercised or cancelled during the years ended 31 December 2010 and 2011. The New Option Scheme expired on 18 February 2012.

## 41. RETIREMENT BENEFIT PLANS

### Defined contribution plan

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in the consolidated statement of comprehensive income of approximately HK$449,000 (2010: HK$557,000) represents contributions paid or payable to these plans by the Group at rates specified in the rules of the plans.

## 42. CAPITAL 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 stakeholders 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 net debt, which included borrowings, convertible notes and promissory notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

## 42. CAPITAL MANAGEMENT *(Continued)*

### Net debt to equity ratio

The Group's management reviews the capital structure on an ongoing basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of the reporting period was as follows:

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Debt (i) | **2,588,495** | — |
| Cash and cash equivalents (Note 37) | **(1,286,446)** | (579,543) |
| Net debt | **1,302,049** | N/A |
| Equity (ii) | **5,847,113** | 1,437,869 |
| Net debt to equity ratio | **22%** | N/A |

(i) Debt is defined as amounts due to non-controlling interests, secured bank borrowings, convertible notes and promissory notes, as detailed in Notes 28, 31, 33 and 34 respectively.

(ii) Equity includes all capital and reserves of the Group.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 43. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | 2011<br>HK$'000 | 2010<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| **Fair value through profit or loss (FVTPL)** | | |
| — Held for trading investments | **85,504** | — |
| **Loans and receivables** | | |
| — Trade receivables | **32,250** | 32,875 |
| — Deposits and other receivables | **69,467** | 84,550 |
| — Deferred cash consideration receivable from disposal of subsidiaries | **—** | 600,000 |
| — Bank balances and deposits | **1,285,999** | 579,543 |
| **Financial liabilities** | | |
| **Amortised cost** | | |
| — Trade payables | **36,590** | 2,177 |
| — Accrued liabilities and other payables | **493,654** | 233,487 |
| — Bank borrowings, secured | **880,626** | — |
| — Amounts due to non-controlling interests | **173,691** | — |
| — Convertible notes | **694,067** | — |
| — Promissory notes | **840,111** | — |

### (b) Financial risk management objectives and policies

The Group's major financial instruments include held for trading investments, bank balances and deposits, trade and other receivables, trade and other payables, convertible notes, promissory notes, amounts due to non-controlling interests and secured bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant change to the Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

#### *Market risk*

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group does not enter into or trade derivative financial instruments for speculative purposes.

## 43. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### *Market risk* *(Continued)*

**Currency risk**

Substantially all of the Group's sales and operating costs are denominated in the functional currency of the group entity making the sales or incurring the costs. Accordingly, the directors consider that the currency risk is not significant.

The Group currently does not have a formal currency hedging policy in relation to currency risk. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

**Price risk**

The Group is exposed to equity price risk through its investments in listed equity securities that are measured at fair value at the end of each reporting period with reference to the quoted market prices. The Group manages its exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

*Sensitivity analysis*

As at 31 December 2011, it is estimated that an increase/decrease of 10% in listed equity securities prices, with all other variables held constant, would decrease/increase the loss before tax for the year by approximately HK$8,550,000 (2010: Nil).

**Interest rate risk**

The Group's cash flow interest rate risk relates primarily to variable-rate borrowings (see Note 31 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing interest rate of the People's Bank of China arising from the Group's Renminbi denominated bank borrowings.

The Group currently does not have a formal interest rate hedging policy in relation to cash flow interest rate risk. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate risk should the need arise.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 43. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### ***Market risk*** *(Continued)*

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

*Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to 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 loss for the year ended 31 December 2011 would increase/decrease by approximately HK$4,403,000 (2010: Nil).

#### ***Credit risk***

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.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and loan receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

#### ***Liquidity risk***

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 43. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### *Liquidity risk* *(Continued)*

**Liquidity tables**

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

| | Weighted average interest rate<br>% | Less than 1 year<br>HK$'000 | 1 to 5 years<br>HK$'000 | More than 5 years<br>HK$'000 | Total undiscounted cash flows<br>HK$'000 | Carrying amount<br>HK$'000 |
|---|---|---|---|---|---|---|
| **31 December 2011** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade payables | **–** | **36,590** | **–** | **–** | **36,590** | **36,590** |
| Accrued liabilities and other payables | **–** | **493,654** | **–** | **–** | **493,654** | **493,654** |
| Bank borrowings, secured | **6.44%** | **–** | **949,532** | **–** | **949,532** | **880,626** |
| Amounts due to non-controlling interests | **–** | **51,382** | **122,309** | **–** | **173,691** | **173,691** |
| Convertible notes | **16.591%** | **–** | **1,500,000** | **–** | **1,500,000** | **694,067** |
| Promissory notes | **13.781%** | **–** | **1,100,000** | **–** | **1,100,000** | **840,111** |
| 31 December 2010 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Trade payables | – | 2,177 | – | – | 2,177 | 2,177 |
| Accrued liabilities and other payables | – | 233,487 | – | – | 233,487 | 233,487 |

### (c) Fair value

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

- the fair value of financial assets and financial liabilities, with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices; and
- 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 of the Company consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 43. FINANCIAL INSTRUMENTS *(Continued)*

### (c) Fair value *(Continued)*

**Fair value measurements recognised in the consolidated statement of financial position**

The financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable are as follows:

- 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).

**As at 31 December 2011**

| | **Level 1**<br>HK$'000 | **Level 2**<br>HK$'000 | **Level 3**<br>HK$'000 | **Total**<br>HK$'000 |
|---|---|---|---|---|
| **Financial assets at FVTPL** | | | | |
| Held for trading investments | **85,504** | **—** | **—** | **85,504** |

There were no transfers between Level 1 and 2 in current and prior years.

There is no transfer into/out of Level 3 in current and prior years.

## 44. SIGNIFICANT RELATED PARTY TRANSACTIONS

**Compensation to key management personnel of the Group**

| | **2011**<br>**HK$'000** | 2010<br>HK$'000 |
|---|---|---|
| Short-term employee benefits | **6,857** | 6,699 |
| Post-employment benefits | **27** | 52 |
| | **6,884** | 6,751 |

## 45. EVENTS AFTER THE REPORTING PERIOD

(i) On 6 January 2012, the Company entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Virtue Link Investments Limited and related shareholder's loan for a cash consideration of HK$380,000,000. Virtue Link Investments Limited and its subsidiaries (namely, Wide Merit Limited, China-HK Holdings Investment Limited, 長三角徐州石油科技有限公司 and 鹽城賽孚石油化工有限公司) were principally engaged in gasoline and diesel operations in the PRC. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal was completed on 8 February 2012.

(ii) On 8 March 2012, the Company entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Sundynasty International Limited for a cash consideration of HK$4,000,000. Sundynasty International Limited and its subsidiaries (namely, Timecastle International Limited, Master Empire Development Limited, 東方銀座商業(北京)有限公司, 北京華文韜廣告有限公司, 北京東方銀座商業投資顧問有限公司 and 北京東方銀座商業管理有限公司) were principally engaged in the provision of retail-related consultancy and management services in the PRC. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal has not been completed as of the date of approval of these consolidated financial statements.

(iii) On 21 March 2012, Daylight Express Group Limited, the wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Angel Fay Limited and related shareholder's loan for a cash consideration of HK$220,000,000. Angel Fay Limited and its subsidiary (namely, 重慶太平洋屋業發展有限公司) were principally engaged in property investment in the PRC. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal has not been completed as of the date of approval of these consolidated financial statements.

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY AS AT 31 DECEMBER 2011

| Name of subsidiary | Place of incorporation/ establishment/ operations | Issued share capital/ paid up capital | Proportion of ownership interests held by the Company | Principal activities |
|---|---|---|---|---|
| Virtue Link Investments Limited | British Virgin Islands | Ordinary US$100 | 100% (Direct) | Investment holding |
| Easy Linkage Development Limited | British Virgin Islands | Ordinary US$1 | 100% (Direct) | Investment holding |
| Deepower Development Limited | British Virgin Islands | Ordinary US$1 | 100% (Indirect) | Trading and investment |
| Daylight Express Group Limited | British Virgin Islands | Ordinary US$1 | 100% (Indirect) | Investment holding |
| Champion Concept Limited | British Virgin Islands | Ordinary US$1 | 100% (Indirect) | Investment holding |

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

## 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY AS AT 31 DECEMBER 2011 *(Continued)*

| Name of subsidiary | Place of incorporation/ establishment/ operations | Issued share capital/ paid up capital | Proportion of ownership interests held by the Company | Principal activities |
|---|---|---|---|---|
| Angel Fay Limited | British Virgin Islands | Ordinary US$1 | 100% (Indirect) | Investment holding |
| Wide Merit Limited | British Virgin Islands | Ordinary US$100 | 51% (Indirect) | Investment holding |
| Cheertex Investment Limited | Hong Kong | Ordinary HK$10 | 100% (Indirect) | Investment holding |
| China-HK Holdings Investment Limited | Hong Kong | Ordinary HK$10,000 | 51% (Indirect) | Investment holding |
| Sundynasty International Limited | British Virgin Islands | Ordinary US$1 | 100% (Direct) | Investment holding |
| Affirm Action Limited | Hong Kong | Ordinary HK$1 | 100% (Direct) | Investment holding |
| Master Step Management Limited | Hong Kong | Ordinary HK$1 | 100% (Direct) | Provision of management services in Hong Kong |
| 東方銀座商業(北京)有限公司 | PRC (Note (i)) | Registered capital RMB45,000,000 | 100% (Indirect) | Provision of retail-related business in the PRC |
| 北京東方銀座商業投資顧問有限公司 | PRC (Note (ii)) | Registered capital RMB500,000 | 100% (Indirect) | Provision of shopping mall development planning advisory services in the PRC |
| 北京華文韜廣告有限公司 | PRC (Note (iii)) | Registered capital RMB29,000,000 | 100% (Indirect) | Provision of promotion and advertising advisory services in the PRC |
| 北京東方銀座商業管理有限公司 | PRC (Note (iv)) | Registered capital RMB2,000,000 | 100% (Indirect) | Provision of enterprises management consultancy services in the PRC |
| 瀋陽市建興源投資管理有限公司 | PRC (Note (v)) | Registered capital RMB1,000,000 | 100% (Indirect) | Property investment in the PRC |
| 重慶太平洋屋業發展有限公司 | PRC (Note (vi)) | Registered capital US$9,500,000 | 100% (Indirect) | Property investment in the PRC |

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2011

### 46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY AS AT 31 DECEMBER 2011 *(Continued)*

| Name of subsidiary | Place of incorporation/ establishment/ operations | Issued share capital/ paid up capital | Proportion of ownership interests held by the Company | Principal activities |
|---|---|---|---|---|
| 海上嘉年華(青島)置業有限公司 | PRC (Note (vii)) | Registered capital RMB900,000,000 | 60% (Indirect) | Property development in the PRC |
| 海灣豪庭管理有限公司 | PRC (Note (viii)) | Registered capital RMB1,000,000 | 60% (Indirect) | Property management in the PRC |
| 長三角徐州石油科技有限公司 | PRC (Note (ix)) | Registered capital RMB54,226,184 | 51% (Indirect) | Gasoline and diesel operations in the PRC |
| 鹽城賽孚石油化工有限公司 | PRC (Note (x)) | Registered capital RMB20,000,000 | 51% (Indirect) | Gasoline and diesel operations in the PRC |

Notes:

(i) 東方銀座商業(北京)有限公司 is a wholly foreign owned enterprise established in the PRC.

(ii) 北京東方銀座商業投資顧問有限公司 is a limited liability company established in the PRC.

(iii) 北京華文韜廣告有限公司 is a limited liability company established in the PRC.

(iv) 北京東方銀座商業管理有限公司 is a limited liability company established in the PRC.

(v) 瀋陽市建興源投資管理有限公司 is a limited liability company established in the PRC.

(vi) 重慶太平洋屋業發展有限公司 is a Sino-foreign equity joint venture established in the PRC.

(vii) 海上嘉年華(青島)置業有限公司 is a Sino-foreign equity joint venture established in the PRC.

(viii) 海灣豪庭管理有限公司 is a limited liability company established in the PRC.

(ix) 長三角徐州石油科技有限公司 is a wholly foreign owned enterprise established in the PRC.

(x) 鹽城賽孚石油化工有限公司 is a limited liability company established in the PRC.

The above table lists the subsidiaries of the Company 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.

# Group Properties

**Major properties held for investment**

| | Location | Approx. floor area attributable to the Group (sq.m.) | Existing use | Term of lease | Group's interest |
|---|---|---|---|---|---|
| 1. | Portions of Taipingyang Plaza（太平洋廣場）, No. 2 Shangqingsi Road, Yuzhong District, Chongqing, the PRC | 28,900 | Residential, office, retail, and car parking | Medium | 100% |
| 2. | Commercial Units on Level 4 (Partial), 5-11 and Basement Level 1, Hong Yuan Building, No. 52 Nanjing Street South, Heping District, Shenyang City, Liaoning Province, the PRC | 8,700 | Retail | Medium | 100% |
| 3. | Commercial Units on Level 1, Block 4, No. 81 Beierjing Street, Shenhe District, Shenyang City, Liaoning Province, the PRC | 800 | Retail | Medium | 100% |
| 4. | Commercial Units on Levels 1 to 3, Block 2, No. 39 Xishuncheng Street, Shenhe District, Shenyang City, Liaoning Province, the PRC | 1,500 | Retail | Medium | 100% |
| 5. | Office Units on Levels 1 to 2, No. 69 Xinhua Street, Heping District, Shenyang City, Liaoning Province, the PRC | 700 | Office | Medium | 100% |
| 6. | An office Unit on Level 1, No. 69 Xinhua Street, Heping District, Shenyang City, Liaoning Province, the PRC | 100 | Office | Medium | 100% |

## Group Properties

**Major properties held for investment** *(Continued)*

| | Location | Approx. floor area attributable to the Group (sq.m.) | Existing use | Term of lease | Group's interest |
|---|---|---|---|---|---|
| 7. | Office Units on Levels 8, 10 and 11, Hua Yang Building, No. 386 Qingningda Street, Heping District, Shenyang City, Liaoning Province, the PRC | 3,000 | Office | Medium | 100% |
| 8. | Commercial Units on Levels 1 to 3, No. 108 Jia Hepingda Street North, Heping District, Shenyang City, Liaoning Province, the PRC | 1,100 | Retail | Medium | 100% |
| 9. | Office Units on Levels 1 to 2, Block 144, No. 152 Beizhong Street Road, Shenhe District, Shenyang City, Liaoning Province, the PRC | 300 | Office | Medium | 100% |
| 10. | Commercial Units on Levels 1 to 3, No. 25 Jia Nanliu South Street, Tiexi District, Shenyang City, Liaoning Province, the PRC | 900 | Retail | Medium | 100% |
| 11. | Office Units on Levels 1 to 4, No. 308 Danan Street, Shenhe District, Shenyang City, Liaoning Province, the PRC | 1,400 | Office | Medium | 100% |
| 12. | Office Units on Levels 1 to 8, Block 138, No. 84 Dabei Street, Dadong District, Shenyang City, Liaoning Province, the PRC | 4,000 | Office | Medium | 100% |

## Group Properties

**Major properties held for investment** *(Continued)*

| | Location | Approx. floor area attributable to the Group (sq.m.) | Existing use | Term of lease | Group's interest |
|---|---|---|---|---|---|
| 13. | Office Units on Levels 1 to 7, Block 138-1, No. 84 Dabei Street, Dadong District, Shenyang City, Liaoning Province, the PRC | 2,600 | Office | Medium | 100% |
| 14. | Office Units on Levels 1-7, 14 to 16 and Basement Level 1, Hong Yun Building, No. 78 Hepingda Street North, Heping District, Shenyang City, Liaoning Province, the PRC | 4,900 | Office | Medium | 100% |
| 15. | Units 906 on Level 9, Hetai Building, No. 107 Nanjing Street North, Heping District, Shenyang City, Liaoning Province, the PRC | 200 | Residential | Long | 100% |
| 16. | Units 907 on Level 9, Hetai Building, No. 107 Nanjing Street North, Heping District, Shenyang City, Liaoning Province, the PRC | 200 | Residential | Long | 100% |
| 17. | Units B1 and B2 on Levels 1 to 2, House No. 68-2, Chinese Garden, Yingnan Street, Dongling District, Shenyang City, Liaoning Province, the PRC | 500 | Residential | Medium | 100% |
| 18. | Units B3 and B4 on Levels 1 to 2, House No. 68-2, Chinese Garden, Yingnan Street, Dongling District, Shenyang City, Liaoning Province, the PRC | 500 | Residential | Medium | 100% |

# Financial Summary

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements and restated as appropriate, is set out below:

## RESULTS

| Year ended 31 December | 2011<br>HK$'000 | 2010<br>HK$'000 | 2009<br>HK$'000 | 2008<br>HK$'000 | 2007<br>HK$'000 |
|---|---|---|---|---|---|
| **Continuing operations** | | | | | |
| Revenue | | | | | |
| From continuing operations | **(12,605)** | 311,702 | 507,694 | 280,889 | 137,206 |
| From discontinued operations | **14,344** | — | — | — | — |
| | **1,739** | 311,702 | 507,694 | 280,889 | 137,206 |
| (Loss)/profit before tax | **(61,101)** | (9,051) | (533,948) | (724,513) | 507,552 |
| Income tax (expense)/credit | **(217)** | 7,110 | 75,193 | 76,609 | (6,021) |
| (Loss)/profit for the year from continuing operations | **(61,318)** | (1,941) | (458,755) | (647,904) | 501,531 |
| **Discontinued operations** | | | | | |
| Loss for the year from discontinued operations | **(16,136)** | — | — | — | — |
| (Loss)/profit for the year | **(77,454)** | (1,941) | (458,755) | (647,904) | 501,531 |
| **Loss for the year attributable to:** | | | | | |
| Owners of the Company | **(69,547)** | (1,941) | (458,755) | (647,904) | 501,531 |
| Non-controlling interests | **(7,907)** | — | — | — | — |
| | **(77,454)** | (1,941) | (458,755) | (647,904) | 501,531 |

## ASSETS AND LIABILITIES

| At 31 December | 2011<br>HK$'000 | 2010<br>HK$'000 | 2009<br>HK$'000 | 2008<br>HK$'000 | 2007<br>HK$'000 |
|---|---|---|---|---|---|
| Assets | **12,829,541** | 1,807,583 | 3,751,281 | 3,998,153 | 4,504,476 |
| Liabilities | **(6,982,428)** | (369,714) | (2,180,206) | (2,470,854) | (3,587,527) |
| Net assets | **5,847,113** | 1,437,869 | 1,571,075 | 1,527,299 | 916,949 |
| **Equity attributable to:** | | | | | |
| Owners of the Company | **3,385,282** | 1,437,869 | 1,571,073 | 1,527,297 | 916,947 |
| Non-controlling interests | **2,461,831** | — | 2 | 2 | 2 |
| | **5,847,113** | 1,437,869 | 1,571,075 | 1,527,299 | 916,949 |