HOPEFLUENT
合富輝煌 Group Holdings Limited
集團控股有限公司

ANNUAL REPORT **2011**

(Incorporated in the Cayman Islands with limited liability) Stock Code: 733

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. FU Wai Chung *(Chairman)*
Ms. NG Wan
Ms. FU Man
Mr. LO Yat Fung

Independent Non-Executive Directors

Mr. LAM King Pui
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF AUDIT COMMITTEE

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF REMUNERATION COMMITTEE

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen

MEMBERS OF THE NOMINATION COMMITTEE

Mr. LAM King Pui AHKSA, CPA, FCCA, ACS, ACIS
Mr. NG Keung
Mrs. WONG LAW Kwai Wah, Karen
Mr. FU Wai Chung
Mr. LO Yat Fung

COMPANY SECRETARY

Mr. LO Hang Fong, solicitor, Hong Kong

AUTHORISED REPRESENTATIVES

Mr. FU Wai Chung
Mr. LO Yat Fung

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

8/F & 9/F, International Trade Center
1 Linhe Xi Lu
Tianhe District
Guangzhou
PRC

PLACE OF BUSINESS IN HONG KONG

Room 3611, 36th Floor
Shun Tak Centre West Tower
200 Connaught Road Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS

Stevenson, Wong & Co.
4/F & 5/F, Central Tower
28 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
Room 358, Citic Plaza
233 Tian Ho Bei Road
Guangzhou, PRC

Agricultural Bank of China
1/F Guangzhou International Trade Centre
1 Linhe Xi Lu
Guangzhou, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House, 68 Fort Street
P.O. Box 705
George Town, Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

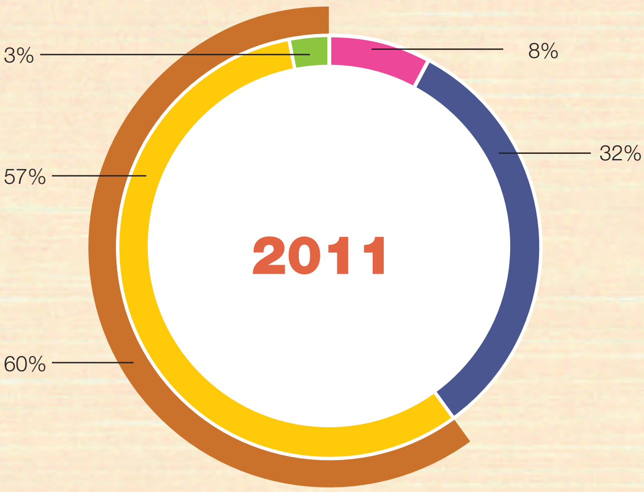
733

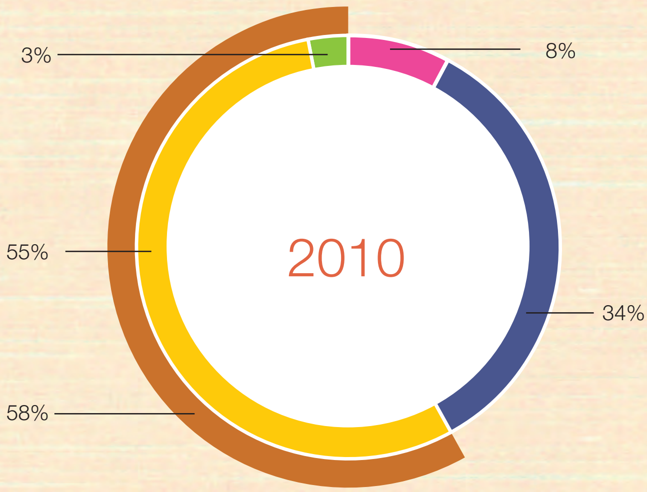
WEBSITE

www.hopefluent.com

Financial Highlights

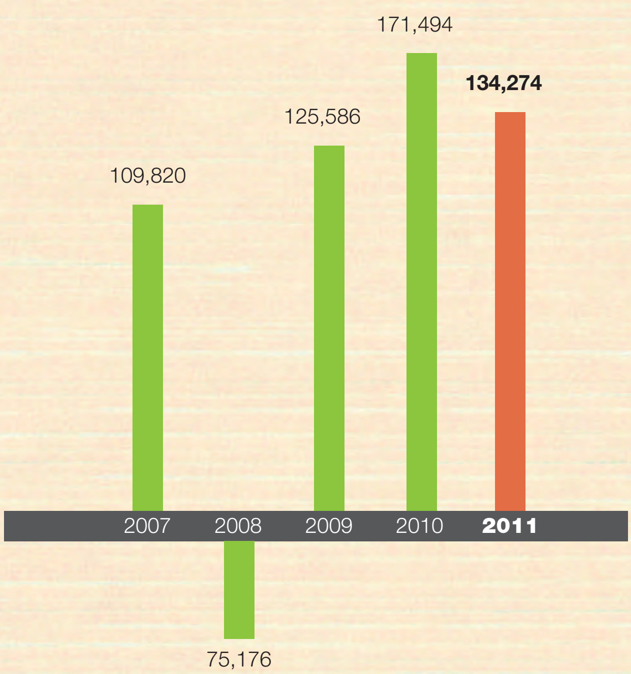
Turnover by Business *For the year ended 31st December*



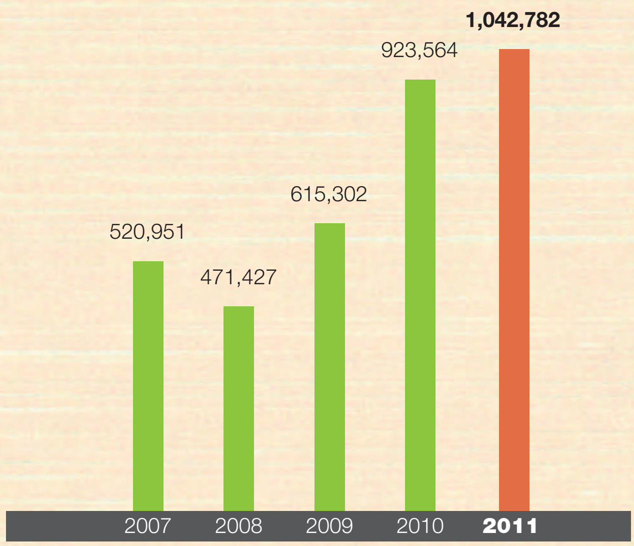


- Commission income for primary property transactions
- Consultancy and conveyancing services fee income
- Commission income for secondary property transactions
- Property management and others

Profit Attributable to Shareholders *(HK$'000)*



Shareholders's Funds *(HK$'000)*



Year in Review

The Group has more than **25** offices serving more than **100** cities, including Guangzhou, Foshan, Dongguan, Shenzhen, Hefei, Wuhan, Suzhou, Shanghai, Jinan, Guizhou, Changsha, Tianjin, Nanning and Haikou and has about 500 projects on hand.

In the past year, the Group continued to work closely with renowned property developers including Vanke, Evergrande, Poly, Gemdale, King Gold Group, Citic, Agile Property, KWG Property, Kaisa, Star River, New World China Land, Sun Hung Kai Properties and Shui On China Central Properties.

Chairman's Statement

Fu Wai Chung, *Chairman*

The unstable global economy and restricted monetary austerity measures imposed on the property market, property sector in the PRC have experienced a challenging year in 2011. Investors have adopted a prudent outlook in the property market in the PRC due to these factors and the lingering uncertainties about the prospects of growth in the economy. In particular, the restrictions on purchasing a second residence has led to a drop in transaction volume of properties in first-tier cities while the overall property market has entered into a period of consolidation. Despite this, by capitalising on the Group's solid operating experience, continue support and trust from customers, the Group was able to enlarge its market share during the year. The solid business foundation established in second and third-tier cities over the years have also helped the Group achieved relatively stable results. The Group recorded a turnover of HK$1,611 million, a growth of 21% when compared with that in 2010. Profit attributable to shareholders was HK$134.3 million.

During the year, the Group's primary property real estate agency service business remained strong, enabling it to maintain its market leader position. The Group secured many exclusive agency projects which were the focus of significant market interest. Among which, Riviera, a luxurious residential project developed by three renowned and respected developers Sun Hung Kai Properties, KWG Property and R&F Properties, achieved outstanding sales. The Group also attracted the support of well-known developers such as Vanke, Evergrande, Poly, Gemdale, King Gold Group, Citic, Agile Property, Kaisa, Star River, New World China Land and Shui On China Central Properties. Through these partnerships, the Group has gained more projects for sales planning which helped increase the Group's market share and to move towards its goal of becoming one of the leading property agencies in China.

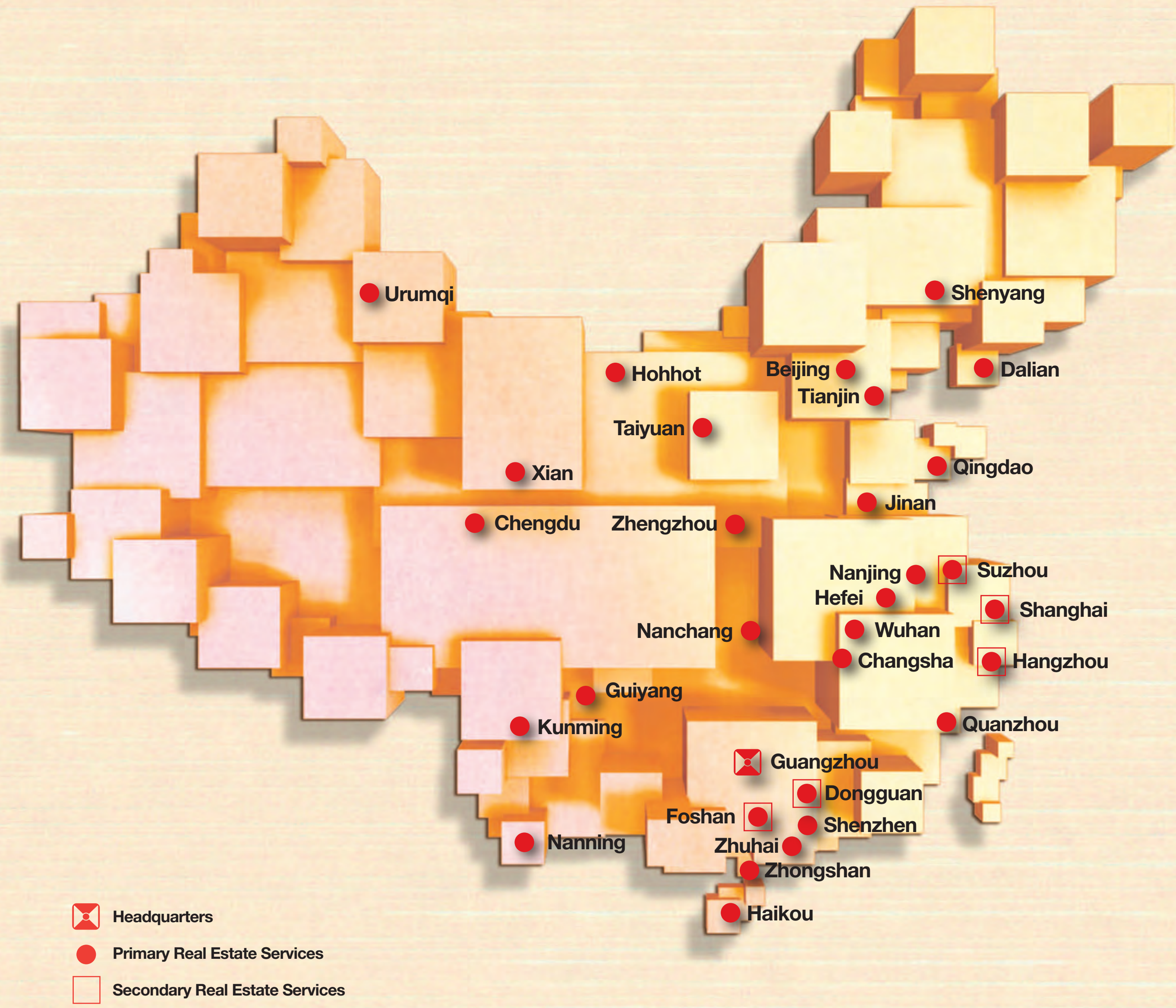
The real estate agency business in the secondary property market was more susceptible to austerity measures. During the year, the Group has strategically adjusted the focus and direction of its business in this market. It strictly controlled operating costs and expanded its business scope on the one hand, and utilised its customer resources and built up a secondary property market team to actively involve in sales of primary property projects. This initiative has enabled the Group to maintain a healthy operation and business volume under the extremely challenging market environment. Other property related businesses, principally project consultancy services, mortgage referral and property management, continued to generate steady income for the Group.

Despite the sustained impact from the austerity measures, market demand for housing was still strong, driven by the domestic economic growth. The continued prosperous economy plus the adjustment on property prices by the developers in close alignment with market changes have stimulated transaction volume. The Group believes that the transaction volume of the property market in Mainland China will gradually return to a growth track. Looking ahead, the Group believes that the worst is over and is confident about the long term development of the property market in the PRC. As more and more developers tend to hire agents to sell their properties, the Group expects to continue enlarging its market share in the PRC, further strengthen its leadership in the industry while at the same time enhance its overall capability so as to provide better services to its customers.

Last but not least, on behalf of the Board, I would like to thank all of our shareholders, business partners and customers for their support, as well as their confidence in and recognition of the Group's future development strategy. I would also like to express my gratitude for our staff over the year. Their dedicated efforts and contributions were the key for the Group to successfully overcome the difficulties that we encountered and to strengthen our business. To meet the upcoming challenges, the Board intends to continue to work closely with all of our staff with the shared objective to generate promising long-term returns for our shareholders.

By order of the board
Chairman
Fu Wai Chung
Hong Kong, 22nd March, 2012

COMPREHENSIVE Networks in PRC



Biographical Details of Directors & Senior Management

DIRECTORS

Executive Directors

Mr. Fu Wai Chung (Chairman), aged 62, the co-founder and chairman of the Group, is responsible for the strategic planning and overall management of the Group. Mr. Fu is a graduate of 華南工學院 (Wahnan Industrial College, the PRC) and holds a certificate in mechanical engineering. Mr. Fu has over 15 years of experience in real estate agency business management and administration in the PRC. Mr. Fu is a member of the committee of the Chinese People's Political Consultative Conference of Guangzhou City.

Ms. Ng Wan, aged 56, the co-founder of the Group, is responsible for the Group's sales and marketing and overall management. Ms. Ng is a graduate of 廣州業餘大學 (Guangzhou Part-time University, the PRC) and holds a certificate in arts. Ms. Ng has over 15 years of experience in the real estate agency business. She is the wife of Mr. Fu.

Ms. Fu Man, aged 51, the co-founder of the Group, is responsible for the Group's sales and marketing and overall management. Ms. Fu attended 廣州大學科技幹部學院 (Technology College, Guangzhou University, the PRC) and holds a certificate in industrial foreign trade. Ms. Fu has over 15 years of experience in the real estate agency business. She is the sister of Mr. Fu.

Mr. Lo Yat Fung, aged 47, is a certified public accountant in Hong Kong and has over 20 years of experience in accounting and financial management. Mr. Lo has obtained a professional diploma in accountancy from the Hong Kong Polytechnic University and is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. In addition, Mr. Lo is a fellow member of the Taxation Institute of Hong Kong and an associate member of the Institute of Chartered Secretaries and Administrators.

Independent Non-Executive Directors

Mr. Lam King Pui, aged 46, is the chief financial officer of a jewellery retailer in Hong Kong. He holds a Bachelor of Arts degree in accountancy from the Hong Kong Polytechnic University and has over 20 years of experience in accounting. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants, a Certified Public Accountant, an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

Mr. Ng Keung, aged 61, is the managing director of a private information technology company since 2000. Prior to the current appointment, Mr. Ng was the vice chairman and the general manager of a private investment company in Hong Kong. Mr. Ng graduated from 廣州市廣播電視大學 (Guangzhou City Radio and Television University, the PRC) with a diploma in industrial enterprises management.

Mrs. Wong Law Kwai Wah, Karen, aged 63, holds a bachelor of arts degree from the University of Hong Kong and has over 35 years working experience in the real estate field. Mrs. Wong is a fellow member of the Chartered Institute of Housing Asian Pacific Branch and a fellow of the Hong Kong Institute of Housing. She is a licensed real estate agent and is currently the Chairlady of the Practice and Complaints Committee of the Hong Kong Real Estate Agents Ltd. She is appointed as a member of the Disciplinary Committee of the Estate Agents Authority.

AUDIT COMMITTEE

The Company established an audit committee on 24th June, 2004. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The committee has reviewed the audited financial statements for the year ended 31st December, 2011.

The audit committee of the Group consists of three independent non-executive Directors, namely Mr. Lam King Pui, Mr. Ng Keung and Mrs. Wong Law Kwai Wah, Karen. Mr. Lam King Pui was appointed as the chairman of the audit committee.

COMPANY SECRETARY

Mr. Lo Hang Fong, aged 48, is a solicitor practising in Hong Kong and the company secretary of the Company. He holds a bachelor's degree in laws from the University of Bristol in England and a diploma in Chinese laws from the China Law Society. He has acquired over 15 years of experience in corporate advisory on mergers and acquisitions, initial public offerings and loan syndication.

SENIOR MANAGEMENT

Ms. Li Jie Nu, aged 58, is the manager of the administration department and is responsible for the administration and human resources of the Group. She has 19 years of experience in management and business administration. Ms. Li holds a diploma in business administration from the Guangzhou Finance and Trading Management College, the PRC (廣州市財貿管理幹部學院).

Mr. Liang Guo Hong, aged 46, is the financial controller and is responsible for the financial management of the Group. He holds a diploma in business administration from the Guangzhou Finance and Trading Management College, the PRC (廣州市財貿管理幹部學院) and a bachelor's degree in construction engineering from the Military Engineering College, the PRC (中國工程兵工程學院).

Mr. Xu Jing Hong, aged 40, is the deputy general manager and is responsible for formulation of development strategies and overall business management for primary property agency business of the Group. He holds a diploma in business administration from the South China Normal University, the PRC (華南師範大學).

Mr. Xie Yu Han, aged 47, is the deputy general manager and is responsible for market research and analysis and project planning consultancy service business. He holds a diploma in corporate management from the Jinan University, the PRC (中國暨南大學).

Ms. Wu Shan Hong, aged 43, is the deputy general manager and is responsible for the market development and management of the value-added services of the primary property agency business of the Group. She holds a bachelor's degree of arts from the Shenzhen University, the PRC (深圳大學) and a master's degree in business administration from the University of Western Sydney, Australia.

Mr. Li Wei, aged 40, is the deputy general manager and is responsible for the formulation of development strategies and overall business management for the secondary property agency business of the Group. He holds a bachelor's degree in material science and engineering from the Guangdong Industrial University, the PRC (廣東工業大學).

Mr. Zheng Song Jie, aged 34, is the general business manager of the Guangzhou district and is responsible for sales and promotion strategies for primary property projects in Guangzhou and the Pearl River Delta region. He holds a bachelor's degree in business administration from the Guangdong Commercial College, the PRC (廣東商學院).

Ms. Hu Yun, aged 39, is the manager of the architectural design department and is responsible for the research on the architectural aspects of the property projects. She holds a bachelor's degree in architecture from the South China University of Technology, the PRC (中國華南理工大學).

Mr. Zheng Wen Wei, aged 41, is the business manager and is responsible for the market development and strategy planning for the primary property agency business of the central and western part of China. He holds a bachelor's degree in economics from the Commercial Institute of Heilongjiang, the PRC (中國黑龍江商學院).

Mr. Ou Yang Da Hui, aged 44, is the general manager of Tianjin Hopefluent Real Properties Sales and Marketing Limited and is responsible for market development and strategy planning for primary property projects in northern part of China. He holds a bachelor's degree in engineering from the Shenzhen University, the PRC (深圳大學).

Mr. Liu Lian, aged 40, is the general manager of the Anhui Hopefluent Real Properties Consultancy Limited and is responsible for the market development and the strategy planning for the primary property agency business in the eastern part of China. He holds a professional diploma in financial management from the Shanghai Railway Institute, the PRC (中國上海鐵道學院) and a professional diploma in corporate management from the International Business Faculty of the Nanjing University, the PRC (中國南京大學國際商學院).

Ms. Zhu Jie, aged 49, is the general manager of Shanghai Hopefluent Real Properties Consultancy Limited and is responsible for the market development and the strategy planning for the primary property agency business in the Yangtze Delta. She holds a master's degree in business administration from the Renmin University of China (中國人民大學).

Mr. Long Bin, aged 44, is the chief marketing research analyst and is responsible for the analysis of market information. He holds a bachelor's degree in philosophy from the Jilin University of China (中國吉林大學) and a doctor's degree from the Renmin University of China (中國人民大學).

Ms. Hu Yue, aged 43, is the general manager of Bola Realty Guarantee (Guangzhou) Limited and is responsible for the management of the primary and secondary property mortgage and loans business. She holds a master's degree in economic law from the Renmin University of China (中國人民大學).

Mr. Lu Jiang Bin, aged 50, is the general manager of the property management business and is responsible for the overall management of the property management services. He holds a diploma from the City Radio and Television University, the PRC (中國廣播電視大學).

Mr. Huang Jian Bang, aged 57, is the general manager of the property management business in Shanghai and is responsible for the property management business in Shanghai. He holds a professional diploma from the English Department of Shanghai Foreign Institute (上海外國語學院).

Management Discussion and Analysis

BUSINESS REVIEW

The PRC property market experienced many challenges in 2011. The property market underwent substantial consolidation, under the influence of an uncertain global economy, austerity measures launched by the PRC Central Government along with a notable decline in consumer confidence. In response, the overall operations of the Group underwent restructuring. Fortunately, the Group has built a strong business foundation in first-tier cities, plus our stable development strategy and strong branding, we managed to take advantage of market trends and tap opportunities in second- and third-tier cities. During the year, the Group expanded its market share and became a nationwide property agency. Despite market volatility during the year, the Group recorded a relatively stable performance.

For the year ended 31st December, 2011, the Group recorded a turnover of HK$1,611 million, up by 21% against HK$1,328 million in 2010. Profit attributable to shareholders was HK$134.3 million (2010 profit attributable to shareholders: HK$171.5 million). Basic earnings per share were HK29.3 cents (2010 basic earnings per share restated: HK41.5 cents). The Board recommended the payment of a final dividend of HK5.5 cents per share for the year ended 31st December, 2011 (2010: HK11 cents). The final dividend will be paid in form of scrip but the shareholders can choose to receive such dividend in cash. (An interim dividend of HK3.5 cents per share for the six months ended 30th June, 2011 was paid.)

During the year under review, the Group's primary and secondary property real estate agency service businesses brought in a turnover of HK$966.2 million and HK$510.6 million respectively, accounting for 60% and 32% of the Group's total turnover. The remaining 8% or HK$134.2 million was derived from property management business. By geographic location, Guangzhou contributed about 48% of the Group's total turnover and about 52% came from outside Guangzhou.

Primary Property Real Estate Agency and Consultancy Services

During the year under review, the Group handled approximately 98,900 primary property transactions involving a total gross floor area of about 10 million square meters with a total transaction value of about HK$94.5 billion, an increase of around 26% compared to approximately HK$75.0 billion last year. In 2011, the Group was agent for more than 500 projects and about 440 of them contributed turnover to the Group amounting to approximately HK$966.2 million, a 27% rise when compared to HK$762.8 million in 2010. By geographic location, Guangzhou accounted for about 34% of the total turnover from the primary property real estate agency service business and about 66% came from outside Guangzhou.

During the year, the Group continued to expand its property real estate agency business in the primary market, and proactively explored opportunities in other cities. Riding on its strong brand and highly professional agency service, the Group continued to enlarge its market share in districts that have outstanding development potential including Anhui, Guizhou, Hunan and Shandong provinces and the group has achieved remarkable success. Although first- and second-tier cities were affected by the austerity measures to a larger extent, the negative news has been gradually absorbed by the market and since the demand for property remained strong, the transaction volume in first- and second-tier cities began to revive in the fourth quarter of 2011. Through our comprehensive network, the Group has strived to expand its coverage into other regions during the year under review, with the aim to further increase its market share and become one of the leading real estate agency businesses within the PRC's primary property market.

During the year, the Group continued to work closely with major property developers and was appointed as the sole agency for substantial amount of projects with excellent sales. Noteworthy among these are the Guangzhou luxury residential projects: Riviera, Virtue Court and Favorview Palace, Asian Games City, The Agile Cambridgeshire, and City of Poly, as well as others nearby including Dongguan Vanke Rainbow Park and Foshan Citic Lake. Major projects in other locations where the Group has secured sole agency are Hefei Evergrande City, Shanghai Pudong Star River, Tianjin Rhine Town, Zhengzhou Tuscany, and Guiyang Skyfame City, etc. This success is tangible recognition by both customers and developers alike of the Group's professional sales and service capabilities.

Another strength of the Group is its comprehensive initial project consultancy services to property developers spanning the entire planning process from professional advice on location and market positioning to marketing strategies and sales. During the year under review, the Group provided initial project planning services to more than 100 development projects.

Secondary Property Real Estate Agency and Mortgage Referral Services 合富置业 iHouseKing.com

The Group's real estate agencies have handled about 51,200 secondary property transactions in 2011, a slight increase when compared to the approximately 50,100 transactions in 2010. Due to expansion of scope of business to commercial projects and the sales of primary projects, turnover from the secondary property real estate agency service increased 12% from approximately HK$457.1 million in 2010 to approximately HK$510.6 million. Transactions from Guangzhou contributed 75% of the total turnover from secondary property real estate agency business while 25% came from outside Guangzhou.

Compared to the primary property segment, the secondary property real estate agency service business was hit more seriously by the adverse market conditions during the year under review. In particular, the introduction of property purchase restriction measure by the government caused the sales volume of secondary property real estate to shrink dramatically. The Group quickly and decisively responded by adjusting its secondary property real estate agency service business. Apart from reducing the number of branches and staffs to control costs, the Group has taken a more active role in commercial property sales and leasing services to mobilise a wide range of client resources, while aggressively assigning its secondary property agency team to the selling of the primary property projects to broaden its sources of income.

In addition to providing property agency services, the Group also offers other property related value-added services to customers including mortgage referral service, property valuation and property auction. These services not only provide an additional income stream to the Group, but also help to strengthen its brand image and create synergies.

Property Management Service 港聯物業 asiaasset

Within its property management business, the Group has provided property management service to about 100 residential, office and commercial projects in Guangzhou, Shanghai, Tianjin and Wuhan involving more than 100,000 units covering more than 12 million square metres of total gross floor area during the year under review. This business has brought stable income and profit to the Group which would support the future expansion of the Group.

Prospects

From late 2011, the adjustment of PRC property prices have attracted more buyers to purchase properties for their own use. Stepping into the beginning of 2012, the market is expected to become more active with the transaction volume gradually picked up.

For its primary property real estate agency service business, riding on its successful experience and excellent track record of sales, the Group has built up close partnerships with leading developers and has gradually become the first choice of property sales agent for developers and customers to achieve a mutually beneficial situation for all parties. To date, the Group has confirmed partnerships with renowned developers and projects including Vanke, Evergrande, Poly, Gemdale, King Gold Group, Citic, Agile Property, KWG Property, Kaisa, Star River, New World China Land, Sun Hung Kai Properties and Shui On China Central Properties in 2012. The Group is also striving to secure more agency projects and to expand its coverage and market share in China.

For its secondary property real estate agency service business, the Group continues to develop its business following the general guideline of expanding its income stream while reducing expenditure. Capitalising on our abundant operating experience and extensive customer network, the Group is confident it can boost its market share and strengthen its presence in the secondary property market amid the very challenging environment.

Looking ahead, the Group remains optimistic about the long-term development prospects of the PRC property market. The Group will prudently steer the development of its operation and impose more stringent cost controls to ensure the stability of its businesses and bolster its industry leadership position. By timely adjusting its strategies to ensure it provides the best quality services, the Group strongly believes it will be able to seize opportunities in order to bring satisfactory long-term returns to its shareholders.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2011, the Group maintained a sound financial position where the cash and bank deposits and current ratio, as a ratio of current assets to current liabilities, were approximately HK$329.9 million (31st December, 2010: HK$396.5 million) and 3.48 (31st December, 2010: 3.22) respectively. Total borrowings amounted to approximately HK$53.5 million which are secured bank borrowings (31st December, 2010: approximately HK$40.2 million). The Group's gearing ratio, which was computed by dividing the total borrowings by total assets, was approximately 3.99% (31st December, 2010: 3.32%). The Group's borrowings are denominated in Renminbi. The Group had no material contingent liabilities as at 31st December, 2011.

PLEDGE OF ASSETS

As at 31st December, 2011, the Group pledged its investment properties and, leasehold land and buildings with an aggregate amount of approximately HK$82 million to banks to secure bank borrowings of the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's business transactions were denominated in either Hong Kong dollars or Renminbi. As such, the Group had no significant exposure to foreign exchange fluctuations.

EMPLOYEES

As at 31st December, 2011, the Group had approximately 11,400 full time employees. Around 8 staff were based in Hong Kong and the rest were employed in China. Competitive remuneration packages are structured to commensurate with individual job duties, qualification, performance and years of experience.

CAPITAL STRUCTURE

As at 31st December, 2011, the total number of shares (the Shares) of HK$0.01 each in the capital of the Company in issue was 459,338,400.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (the "Board") and management of the Company and its subsidiaries (the "Group") are committed to maintaining high standards of corporate governance and the Board is responsible for achieving consistent and sustainable long-term returns for the shareholders. The Group has complied throughout the review year with the code provisions contained in the Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") save and except certain deviations as more specifically described below.

DIRECTORS

Directors' Securities Transactions

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. Having made specific enquiry of all directors, they all have confirmed that they have complied with the required standard as set out in the Model Code throughout the year.

Board of Directors

The Board comprises:

Executive Directors	:	Mr. FU Wai Chung *(Chairman)* Ms. NG Wan Ms. FU Man Mr. LO Yat Fung
Independent Non-executive Directors	:	Mr. LAM King Pui Mr. NG Keung Mrs. WONG LAW Kwai Wah, Karen

Each independent non-executive director has given an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

During the financial year ended 31st December, 2011, 5 Board meetings were held and the attendance of each director is set out as follows:

Name of director	Number of Board meetings attended in the financial year ended 31st December, 2011	Attendance rate
Mr. FU Wai Chung	5	100%
Ms. NG Wan	3	60%
Ms. FU Man	5	100%
Mr. LO Yat Fung	5	100%
Mr. LAM King Pui	5	100%
Mr. NG Keung	5	100%
Mrs. WONG LAW Kwai Wah, Karen	5	100%

Corporate Governance Report

DIRECTORS (Continued)

Board of Directors (Continued)

The Board has in place a list of key matters that are to be retained for board decision:

— Long-term objectives and strategies
— Extension of Group activities into new areas (if any)
— Monitoring the budgets and financial performance of the Company
— Preliminary announcements of interim and final results
— Material banking facilities
— Internal control assessment
— Overseeing the performance of the management

while daily operation and administration are delegated to the management.

The Board held meetings from time to time whenever necessary. The agenda accompanying board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents. Minutes of every Board meeting are circulated to all directors for their perusal and comments. Minutes are open for inspection at any reasonable time on reasonable notice by any Director. The Board also ensures that it is supplied in a timely manner with the agenda and all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Fu Wai Chung ("Mr. Fu") is the chairman of the Company and co-founder of the Company. Mr. Fu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company.

The Company has no such title as the chief executive officer and therefore the daily operation and management of the Company is monitored by the executive directors as well as the senior management.

The Board is of the view that though there is no chief executive officer, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meetings between the directors and the management are held from time to time to discuss issues relating to operation of the Company. The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

Ms. Ng Wan is the wife of Mr. Fu and Ms. Fu Man is the sister of Mr. Fu.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each executive director is appointed for an initial term which is renewable automatically each year. All independent non-executive directors are currently appointed for a specific term up to 31st December, 2014 which may be extended as each director and the Company may agree in writing. However, they are appointed subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provision of the Articles of Association of the Company (the "Articles of Association").

The Articles of Association provides that at each annual general meeting, one-third of the directors for the time being shall retire from office by rotation and that every director shall be subject to retirement by rotation at least once every 3 years.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") comprises the three independent non-executive directors and Mr. LAM King Pui is the chairman of the Remuneration Committee.

According to the terms of reference of the Remuneration Committee, its major roles and functions are as follows:

(1) To make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy.

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

(3) To review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive.

(4) To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

(5) To ensure that no director or any of his associate is involved in deciding his own remuneration.

A full version of the terms of reference of the Remuneration Committee will be published on the Stock Exchange's website and the Company's website by the end of March 2012.

The Group's human resources department assists the Remuneration Committee by providing relevant remuneration data and market conditions for Committee's consideration. The remuneration of executive directors and senior management is determined with reference to the Company's performance and profitability, as well as remuneration benchmarks in the industry and the prevailing market conditions.

A meeting was held in the year 2011 and during the meeting the remuneration policies, structures and procedures in remunerating the directors and senior management of Group were under review and no change has been proposed to the remuneration policies for the Group. No director or any of his associates was involved in deciding his own remuneration.

Name of members of Remuneration Committee	Number of meetings attended in the financial year ended 31st December, 2011	Attendance rate
Mr. LAM King Pui	1	100%
Mr. NG Keung	1	100%
Mrs. WONG LAW Kwai Wah, Karen	1	100%

Information relating to the remuneration of each Director for 2011 is set out in note 12 to the consolidated financial statements.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management reports regularly to the Board and provides such explanation and information to the Board on the financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, the Board has prepared the financial statements on a going concern basis.

The responsibility of the external auditors is to form an independent opinion, based on audit, on those consolidated financial statements prepared by the Board and to report their opinion solely to the shareholders of the Company, as a body, and for no other purpose. A statement by the auditors about their reporting responsibility is set out on page 25 of this Annual Report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for overseeing the Company's system of internal control.

To facilitate the effective and efficiency of operations and to ensure compliance with relevant laws and regulations, the Group emphasizes on the importance of a sound internal control system which is also indispensable to mitigating the Group's risk exposures. An internal control department ("ICD") was established in 2006 which reported directly to the Board. The function of the ICD audit team is to ensure the branches operation and practices are complied with the Group's policies and procedures. The team has reviewed and checked the sales, performance reports and cash flow of each branch rotationally. Programs have also been tailor-made for a monthly consolidated management accounts.

The internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board has conducted review of the effectiveness of the system of internal control and is of the view that the system of internal control adopted for the year ended 31st December, 2011 is sound and is effective to safeguard the interests of the shareholders' investment and the Company's assets and the Board is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system, such as control over expenditures and payroll, certain risk assessment controls and periodic review of the Group's performance by the Audit Committee and the Board.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises the three independent non-executive directors. Mr. LAM King Pui, the chairman of the Audit Committee, has professional qualifications and in-depth experience in accounting and related financial management expertise. No member of the Audit Committee is a member of the former or existing auditors of the Company.

According to the existing terms of reference of the Audit Committee, its major roles and functions are, amongst others, to consider the appointment of the external auditors, the audit fee, and any questions of resignation or dismissal of the external auditors; to review the half-year and annual financial statements before submission to the Board and to consider major findings of internal investigations and management's response.

A full version of the terms of reference of the Audit Committee will be published on the Stock Exchange's website and the Company's website by the end of March 2012.

The Audit Committee held four meetings in 2011, which were attended by all audit committee members.

Name of members of Audit Committee	Number of meetings attended in the financial year ended 31st December, 2011	Attendance rate
Mr. LAM King Pui	4	100%
Mr. NG Keung	4	100%
Mrs. WONG LAW Kwai Wah, Karen	4	100%

At the meetings held during the year, in performing its duties in accordance with its terms of reference, the work performed by the Audit Committee included reviewing and supervising the financial reporting process and review and discussion of business development and internal control system of the Group and reviewing the financial statements for the relevant period with reference to the scope of the terms of reference.

AUDITOR'S REMUNERATION

During the financial year ended 31st December, 2011, the remuneration paid to the Company's auditor, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	Fees paid/payable (HK$'000)
Audit services	1,650
Non-audit services	80
	1,730

Corporate Governance Report

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") was established on 22nd March, 2012 comprising Mr. FU Wai Chung, Mr. LO Yat Fung and the existing 3 independent non-executive directors. Mr. LAM King Pui is currently the chairman of the Nomination Committee. Meeting of the Nomination Committee shall be held at least once a year.

According to the terms of reference of the Nomination Committee, its major roles and functions are as follows:

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

— to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships of the Company.

A full version of the terms of reference of the Nomination Committee will be published on the Stock Exchange's website and the Company's website by the end of March 2012.

SHAREHOLDERS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.hopefluent.com.

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2011 are set out in the consolidated statement of comprehensive income on page 26.

An interim dividend of HK3.5 cents (2010: HK4 cents) per share amounting to HK$16,077,000 (2010: HK$13,790,000) in aggregate was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK5.5 cents (2010: HK11 cents) per share (the "Proposed Final Dividend") to the shareholders on the register of members on 24th May, 2012, amounting to HK$25,264,000 (2010: HK$42,038,000) in aggregate.

The Proposed Final Dividend will be paid in form of a scrip dividend with shareholders of the Company (the "Shareholders") being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme will be subject to (i) Shareholders' approval of the Proposed Final Dividend at the Company's forthcoming 2012 Annual General Meeting; and (ii) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting listing of and permission to deal in the new shares to be allotted thereunder. The Proposed Final Dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent on or about 29th June, 2012 (Friday) to the Shareholders whose names appear on the register of members of the Company on 24th May, 2012 (Thursday) (the "Record Date for Dividend").

On condition that the Proposed Final Dividend is approved by the Shareholders at the 2012 Annual General Meeting, a circular containing details of the Scrip Dividend Scheme and the relevant election form will be dispatched to the Shareholders of the Company as soon as practicable after the Record Date for Dividend.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from 14th May, 2012 (Monday) to 16th May, 2012 (Wednesday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2012 Annual General Meeting. In order to be eligible to attend and vote at the 2012 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 11th May, 2012 (Friday); and

(ii) from 22nd May, 2012 (Tuesday) to 24th May, 2012 (Thursday), both days inclusive, for the purpose of ascertaining shareholders' entitlement to the Proposed Final Dividend. In order to establish entitlements to the Proposed Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 21st May, 2012 (Monday).

During the periods mentioned in sub-paragraphs (i) and (ii) above, no transfers of shares will be registered.

INVESTMENT PROPERTIES

The Group's investment properties at 31st December, 2011 were revalued by an independent firm of professional property valuers on an open market value basis. Details of the movements in the investment properties of the Group during the year are set out in note 16 to the consolidated financial statements.

Directors' Report

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent capital expenditure of approximately HK$98,431,000 on additions of property, plant and equipment, mostly for the expansion of property agency services throughout the People's Republic of China.

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2011 comprised the retained profits of approximately HK$365 million.

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Article of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

The Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31st December, 2011.

BOARD OF DIRECTORS

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

Executive directors

Mr. Fu Wai Chung *(Chairman)*
Ms. Ng Wan
Ms. Fu Man
Mr. Lo Yat Fung

Independent non-executive directors

Mr. Lam King Pui
Mr. Ng Keung
Mrs. Wong Law Kwai Wah, Karen

In accordance with the provisions of the Company's Articles of Association, Messrs. Fu Wai Chung, Ng Wan and Wong Law Kwai Wah, Karen retire by rotation and, being eligible, offer themselves for re-election.

The term of office of each independent non-executive director is the period from the date of appointment up to his/her retirement by rotation as required by the provisions of the Company's Articles of Association.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for a duration of three years commencing from 1st April, 2004 and will continue thereafter until terminated by either party giving to the other not less than three months' advance written notice of termination.

Other than as disclosed above, none of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

At 31st December, 2011, the interests of the directors and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions:

(i) Ordinary share of HK$0.01 each and underlying shares under equity derivatives of the Company

	Number of shares				
Name of Director	**Ordinary shares interest held under personal name**	**Ordinary shares interests held by controlled corporations**	**Underlying shares (under equity derivatives of the Company)** (note 2)	**Aggregate interest**	**Approximate percentage of the issued share capital**
Mr. Fu Wai Chung ("Mr Fu")	369,600	159,847,600 (note 1)	—	160,217,200	34.88%
Ms. Ng Wan	369,600	—	—	369,600	0.08%
Ms. Fu Man	—	—	3,120,000	3,120,000	0.68%
Mr. Lo Yat Fung	—	—	3,696,000	3,696,000	0.80%
Mr. Lam King Pui	—	—	237,600	237,600	0.05%
Mr. Ng Keung	—	—	237,600	237,600	0.05%
Mrs. Wong Law Kwai Wah, Karen	—	—	237,600	237,600	0.05%

Notes:

1. These 159,847,600 shares are registered in the name of Fu's Family Limited which is held as to 70% by Mr. Fu, 15% by Ms. Ng Wan and the remaining 15% by Ms. Fu Man.

2. Details of share options held by the directors are shown in the section of "Share Options".

(ii) Ordinary shares of US$1.00 each in Fu's Family Limited, the associated corporation of the Company

Name of director	Number of shares interest	Percentage of shareholding
Mr. Fu	70	70%
Ms. Ng Wan	15	15%
Ms. Fu Man	15	15%

Other than as disclosed above, none of the directors nor their associates had any interest or short position in any shares or underlying shares of the Company or any of its associated corporations as at 31st December, 2011.

Directors' Report

SHARE OPTIONS

Particulars of the Company's share option scheme (the "Scheme") were set out in note 30 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Number of share options							
	As at 1st January, 2011	Adjustments upon bonus issue in 2011	Exercised during the year	As at 31st December, 2011 (note 1)	Date of grant	Exercise period	Exercise price per share HK$	Adjusted exercise price per share upon bonus issue in 2011 HK$ (note 1)
Directors								
Mr. Fu Wai Chung	308,000	61,600	(369,600)	–	16th December, 2009	16th December, 2009 to 15th December, 2012	2.36	1.97
Ms. Ng Wan	308,000	61,600	(369,600)	–	16th December, 2009	16th December, 2009 to 15th December, 2012	2.36	1.97
Ms. Fu Man	3,080,000	520,000	(480,000)	3,120,000	16th December, 2009	16th December, 2009 to 15th December, 2012	2.36	1.97
Mr. Lo Yat Fung	3,080,000	616,000	–	3,696,000	16th December, 2009	16th December, 2009 to 15th December, 2012	2.36	1.97
Mr. Lam King Pui	198,000	39,600	–	237,600	16th December, 2009	16th December, 2009 to 15th December, 2012	2.36	1.97
Mr. Ng Keung	198,000	39,600	–	237,600	16th December, 2009	16th December, 2009 to 15th December, 2012	2.36	1.97
Mrs. Wong Law Kwai Wah, Karen	198,000	39,600	–	237,600	16th December, 2009	16th December, 2009 to 15th December, 2012	2.36	1.97
Others								
Employees	3,680,000	506,800	(1,146,000)	3,040,800	16th December, 2009	16th December, 2009 to 15th December, 2012	2.36	1.97
Total	11,050,000	1,884,800	(2,365,200)	10,569,600				

Note:

1. Upon completion of the bonus issue which was approved by the shareholders in an annual general meeting held on 9th June, 2011, the exercise price of the share options granted under the Scheme and the number of shares to be allotted and issued upon full exercise of the subscription right attaching to the outstanding share options were adjusted in accordance with the terms of the Scheme and the supplementary guidance attached to the letter from the Stock Exchange dated 5th September, 2005 relating to adjustments to share options.

The total number of shares of the Company issuable upon exercise of all options granted and may be granted under the Scheme is 40,169,600, representing 8.75% of the issued shares of the Company as at the date of this annual report.

The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK$3.85. No share options was granted, cancelled or lapsed during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme as disclosed above, at no time during the year was the Company, or any of its subsidiaries or its fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, its subsidiaries or fellow subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st 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 certain directors, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company:

Long positions:

Name of shareholder	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital of the Company
Mr. Fu	Beneficial owner (note 1)	160,586,800	34.96%
Fu's Family Limited	Beneficial owner (note 1)	159,847,600	34.80%
Value Partners Limited ("Value Partners")	Investment manager (note 2)	42,186,360	9.18%
Hang Seng Bank Trustee International Limited	Trustee (note 2)	42,186,360	9.18%
Cheah Capital Management Limited	Held by controlled corporation (note 2)	42,186,360	9.18%
Cheah Company Limited	Held by controlled corporation (note 2)	42,186,360	9.18%
Value Partners Group Limited	Held by controlled corporation (note 2)	42,186,360	9.18%
To Hau Yin	Interest of spouse (note 2)	42,186,360	9.18%
Cheah Cheng Hye ("Mr. Cheah")	Founder of the Trust (note 2)	42,186,360	9.18%
Mutual Fund Populus	Custodian corporation	32,176,320	7.00%

Notes:

1. Mr. Fu's interests include 159,847,600 shares held through Fu's Family Limited, 369,600 shares held by himself and 369,600 shares held by his spouse, Ms. Ng Wan, who is also the director of the Company.

2. These shares are held by Hang Seng Bank Trustee International Limited in its capacity as the trustee of a trust and Value Partners as the investment manager through Value Partners Group Limited, Cheah Company Limited and Cheah Capital Management Limited. Mr. Cheah is the founder of the trust and Ms. To Hau Yin as the spouse of Mr. Cheah is deemed to be interested in these shares.

Other than as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2011.

Directors' Report

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considers all of the independent non-executive directors as independent.

EMOLUMENT POLICY

The Group remunerates its employees based on their performance, experience and prevailing market rate. Other employee benefits included insurance and medical cover, subsidised training programme as well as share option scheme.

The determination of emoluments of the directors of the Company had taken into consideration of their expertise and job specifications.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS

The aggregate turnover attributable to the Group's five largest customers were less than 30% of total turnover.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in any of the five largest customers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2011. Based on information that is publicly available to the Company and within the knowledge of the directors, the percentage of the ordinary shares in public hands exceeds 25% as at 22nd March, 2012.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Fu Wai Chung
Chairman

Hong Kong, 22nd March, 2012

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF HOPEFLUENT GROUP HOLDINGS LIMITED
合富輝煌集團控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Hopefluent Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 71, which comprise the consolidated statement of financial position as at 31st 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22nd March, 2012

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Turnover	7	**1,611,013**	1,327,796
Other income		**6,691**	4,979
Selling expenses		**(1,073,235)**	(742,979)
Administrative expenses		**(350,613)**	(328,380)
Other expenses		**(4,368)**	(3,483)
Share of losses of an associate	20	**(1,298)**	—
Finance costs	9	**(3,091)**	(3,006)
Profit before tax		**185,099**	254,927
Income tax expense	10	**(50,304)**	(78,584)
Profit for the year	11	**134,795**	176,343
Other comprehensive income			
Exchange differences arising on translation		**37,320**	24,825
Total comprehensive income for the year		**172,115**	201,168
Profit for the year attributable to:			
Owners of the Company		**134,274**	171,494
Non-controlling interests		**521**	4,849
		134,795	176,343
Total comprehensive income attributable to:			
Owners of the Company		**171,062**	195,330
Non-controlling interests		**1,053**	5,838
		172,115	201,168
			(restated)
Earnings per share	15		
— Basic		**HK29.3 cents**	HK41.5 cents
— Diluted		**HK29.0 cents**	HK41.2 cents

Consolidated Statement of Financial Position

At 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investment properties	16	**34,439**	33,021
Property, plant and equipment	17	**299,209**	252,767
Goodwill	18	**15,781**	15,608
Interest in an associate	20	**141,825**	137,230
		491,254	438,626
CURRENT ASSETS			
Accounts receivables	21	**467,535**	307,298
Other receivables and prepayment		**50,833**	66,658
Held for trading investments	22	**453**	1,234
Bank balances and cash	23	**329,875**	396,508
		848,696	771,698
CURRENT LIABILITIES			
Payables and accruals	24	**127,188**	134,808
Tax liabilities		**63,569**	64,497
Bank borrowings	25	**53,457**	40,235
		244,214	239,540
NET CURRENT ASSETS		**604,482**	532,158
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,095,736**	970,784
CAPITAL AND RESERVES			
Share capital	26	**4,593**	3,805
Share premium and reserves		**1,038,189**	919,759
Equity attributable to owners of the Company		**1,042,782**	923,564
Non-controlling interests		**28,765**	25,573
TOTAL EQUITY		**1,071,547**	949,137
NON-CURRENT LIABILITY			
Deferred tax liabilities	27	**24,189**	21,647
		1,095,736	970,784

The consolidated financial statements on pages 26 to 71 were approved and authorised for issue by the board of directors on 22nd March, 2012 and are signed on its behalf by:

Fu Wai Chung
DIRECTOR

Lo Yat Fung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2011

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000 (note i)	Statutory surplus reserve HK$'000 (note ii)	Translation reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2010	2,960	254,790	5,760	46,441	43,575	16,284	245,492	615,302	21,320	636,622
Exchange differences arising on translation	–	–	–	–	23,836	–	–	23,836	989	24,825
Profit for the year	–	–	–	–	–	–	171,494	171,494	4,849	176,343
Total comprehensive income for the year	–	–	–	–	23,836	–	171,494	195,330	5,838	201,168
Bonus issue of shares	345	(345)	–	–	–	–	–	–	–	–
Issue of shares upon acquisition (note 19)	420	130,158	–	–	–	–	–	130,578	–	130,578
Exercise of share options	80	27,785	–	–	–	(7,188)	–	20,677	–	20,677
Dividends recognised as distribution (note 14)	–	–	–	–	–	–	(40,430)	(40,430)	–	(40,430)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	2,107	2,107	(2,785)	(678)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	1,200	1,200
Transfer	–	–	–	8,381	–	–	(8,381)	–	–	–
At 31st December, 2010	3,805	412,388	5,760	54,822	67,411	9,096	370,282	923,564	25,573	949,137
Exchange differences arising on translation	–	–	–	–	36,788	–	–	36,788	532	37,320
Profit for the year	–	–	–	–	–	–	134,274	134,274	521	134,795
Total comprehensive income for the year	–	–	–	–	36,788	–	134,274	171,062	1,053	172,115
Bonus issue of shares	764	(764)	–	–	–	–	–	–	–	–
Exercise of share options	24	7,122	–	–	–	(1,852)	–	5,294	–	5,294
Dividends recognised as distribution (note 14)	–	(58,115)	–	–	–	–	–	(58,115)	–	(58,115)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	977	977	(1,088)	(111)
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	3,227	3,227
Transfer	–	–	–	3,108	–	–	(3,108)	–	–	–
At 31st December, 2011	**4,593**	**360,631**	**5,760**	**57,930**	**104,199**	**7,244**	**502,425**	**1,042,782**	**28,765**	**1,071,547**

Notes:

(i) Special reserve

The special reserve of the Group represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation on the basis that the group reorganisation had been effected on 24th June, 2004.

(ii) Statutory surplus reserve

As stipulated by the relevant laws and regulations of the People's Republic of China (the "PRC"), the Group's subsidiaries in the PRC shall set aside 10% of their profit after taxation for the statutory surplus reserve until the PRC statutory surplus reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can only be used, upon approval by the Board of Directors and by the relevant authority, to offset accumulated losses or increase capital.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**185,099**	254,927
Adjustments for:			
Depreciation of property, plant and equipment		**61,487**	49,565
Impairment on accounts receivables		**439**	4,088
Finance costs		**3,091**	3,006
Share of losses of an associate	20	**1,298**	—
Loss on fair value changes of held for trading investments		**667**	317
Loss on disposal and write-off of property, plant and equipment		**782**	203
Interest income		**(1,338)**	(1,050)
Operating cash flows before movements in working capital		**251,525**	311,056
Increase in accounts, other receivables and prepayment		**(130,741)**	(109,338)
Decrease in held for trading investments		**114**	8,202
(Decrease) increase in payables and accruals		**(12,338)**	29,266
Cash generated from operations		**108,560**	239,186
PRC income tax paid		**(52,946)**	(65,943)
NET CASH FROM OPERATING ACTIVITIES		**55,614**	173,243
INVESTING ACTIVITIES			
Interest received		**1,338**	1,050
Proceeds on disposal of property, plant and equipment		**975**	673
Acquisition of subsidiaries	19	**—**	(2,313)
Purchase of property, plant and equipment		**(98,431)**	(81,569)
NET CASH USED IN INVESTING ACTIVITIES		**(96,118)**	(82,159)
FINANCING ACTIVITIES			
Proceeds on issue of shares due to exercise of share options		**5,294**	20,677
New bank borrowings raised		**54,244**	39,015
Capital contribution from non-controlling interests		**3,227**	1,200
Acquisition of additional interest in a subsidiary		**(111)**	(678)
Interest paid		**(3,091)**	(3,006)
Dividends paid		**(58,115)**	(40,430)
Repayment of bank borrowings		**(41,455)**	(60,496)
NET CASH USED IN FINANCING ACTIVITIES		**(40,007)**	(43,718)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(80,511)**	47,366
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**396,508**	338,073
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**13,878**	11,069
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		**329,875**	396,508

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi ("RMB"). The directors selected Hong Kong dollars as the presentation currency because the shares of the Company are listed on the Stock Exchange.

The Company is an investment holding company. Particulars of the principal activities of its subsidiaries are set out in note 33.

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 Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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.

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]
	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	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 1st July, 2011.
2 Effective for annual periods beginning on or after 1st January, 2013.
3 Effective for annual periods beginning on or after 1st January, 2015.
4 Effective for annual periods beginning on or after 1st January, 2012.
5 Effective for annual periods beginning on or after 1st July, 2012.
6 Effective for annual periods beginning on or after 1st January, 2014.

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described as follows:

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

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

The directors anticipate that the adoption of HKFRS 9 in the future is not expected to have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

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 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 1st 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 1st January, 2013. Except for HKFRS 12, the directors anticipate that the adoption of the remaining standards in the future will not have significant impact to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31st 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 1st 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 1st January, 2013 and that the application of the new standard may not affect the amounts reported in the consolidated financial statements but will result in more extensive disclosures in the consolidated financial statements.

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 1st January, 2012. If the presumption is not rebutted, deferred tax regarding the Group's investment properties will be measured on the basis that the carrying amounts are to be recovered through sale.

The directors of the Company anticipate that the application of other new or revised HKFRSs will have no material impact on the consolidated financial statements 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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and held for trading investments 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies are set out below.

Basis of consolidation

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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 the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1st 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.

Business combinations

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively; and

- 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).

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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

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

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.

Investments in associates

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

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

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

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

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of business tax and other taxes.

Agency commission and conveyancing services income from property brokering is recognised when a buyer and seller execute a legally binding sale agreement and when the relevant agreement becomes unconditional and irrevocable.

Marketing, development and planning consultancy and property management services income is recognised when the services are provided.

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 exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the period of the relevant leases.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the 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.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the supply of services or for administrative purposes 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 over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

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.

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 asset (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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee

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

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.

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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's 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. 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 the translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January, 2005 are treated as assets and liabilities of that operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme (the "MPF 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 the 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 the tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

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

Effective interest method

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

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 accounts receivables, other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

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.

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.

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 assets, 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.

For certain categories of financial assets, such as accounts receivables, assets 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 of 90 days, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts 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 an account 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 entered into 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 and 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.

Financial liabilities

Financial liabilities (including payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable 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.

Impairment losses on tangible assets

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.

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 is estimated to be less than its carrying amount, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Estimated impairment of accounts receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2011, the carrying amount of accounts receivables is HK$467,535,000 (net of allowance for doubtful debts of HK$9,434,000) (2010: carrying amount of HK$307,298,000, net of allowance for doubtful debts of HK$8,995,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2011, the carrying amount of goodwill is HK$15,781,000 (2010: carrying amount of HK$15,608,000). Details of the recoverable amount calculation are disclosed in note 18.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 25, net of cash and cash equivalents disclosed in note 23, and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

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

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	819,985	750,435
Held for trading investments	453	1,234
Financial liabilities		
Amortised cost	72,489	60,637

6b. Financial risk management objectives and policies

The Group's major financial instruments include accounts receivables, other receivables, held for trading investments, bank balances and cash, payables and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency assets and liabilities, including bank balances and cash and payables, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
HK$	–	–	2,878	299

Sensitivity analysis

The Group is mainly exposed to the currency risk of Hong Kong dollar ("HK$").

The following table details the Group's sensitivity to a 5% (2010: 5%) increase/decrease in HK$ against RMB. 5% (2010: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2010: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where HK$ strengthen 5% (2010: 5%) against RMB. For a 5% (2010: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the profit and the balance would be negative.

	HK$ Impact	
	2011 HK$'000	2010 HK$'000
Profit or loss	108	11

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

As at 31st December, 2010, the Group was exposed to fair value interest rate risk in relation to fixed-rate bank borrowings.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank deposits because these balances carry interest at prevailing rates and they are of short maturity.

The Group currently does not have any interest rate hedging policy in relation to fair value interest rate risk and cash flow interest rate risk. The directors monitor the Group's exposure on ongoing basis and will consider hedging the interest rate should the need arises.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowings and bank deposits. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis points (2010: 25 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2010: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2011 would increase/decrease by HK$518,000 (2010: increase/decrease by HK$743,000).

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by closely monitoring the investment. As at 31st December, 2011, the Group's equity price risk is mainly concentrated on the equity instruments operating in different industry sectors listed on the Stock Exchange.

Sensitivity analysis

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

If the prices of the equity instrument had been 5% (2010: 5%) higher/lower and all other variables were held constant for the year ended 31st December, 2011, the Group's post-tax profit for the year would increase/decrease by HK$19,000 (2010: HK$52,000) as a result of the changes in fair value of held for trading investments.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Credit risk

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

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2010: 100%) of the total accounts receivables as at 31st December, 2011. The Group also has concentration of credit risk as 10% (2010: 14%) and 3% (2010: 5%) of the total accounts receivables was due from the Group's five largest customers and largest customer respectively.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt 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 credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group 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.

In addition to financing financed by the Group's own capital and earnings, the Group relies on bank borrowings as an additional source of liquidity. As at 31st December, 2011, the Group has bank borrowings of approximately HK$53,457,000 (2010: HK$40,235,000). Furthermore, as at 31st December, 2011 and 2010, the Group had no unutilised bank facilities. Details of which are set out in note 25.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity risk tables

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2011 HK$'000
2011						
Non-derivative financial liabilities						
Payables	–	19,032	–	–	19,032	19,032
Bank borrowings — variable rate	6.34	17,910	1,887	37,044	56,841	53,457
		36,942	1,887	37,044	75,873	72,489

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity risk tables (Continued)

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31/12/2010 HK$'000
2010						
Non-derivative financial liabilities						
Payables	—	20,402	—	—	20,402	20,402
Bank borrowings — fixed rate	4.79	11,522	—	30,641	42,163	40,235
		31,924	—	30,641	62,565	60,637

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

6c. Fair value

The fair values of held for trading investments are determined with reference to quoted market bid prices. Fair values of the Group's investments held for trading investments are classified as level 1 measurements which are all derived from quoted prices (unadjusted) in active market for identical assets and liabilities.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

7. TURNOVER

Turnover represents agency commission and services income received and receivable from outside customers for the sales of properties in the PRC net of business tax and other taxes. An analysis of the Group's revenue for the year is as follows:

	2011 HK$'000	2010 HK$'000
Agency commission	**1,567,669**	1,291,020
Service income	**142,061**	114,542
Less: Business tax and other taxes	**(98,717)**	(77,766)
	1,611,013	1,327,796

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

8. SEGMENT INFORMATION

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

The Group is organised into three business divisions including primary property real estate agency services, secondary property real estate agency services and property management services which form the Group's three operating segments. Primary property real estate agency is the provision of first hand real estate services to property developers. Secondary property real estate agency is the provision of real estate services to individuals or companies. Property management is the provision of building management services to property owners.

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

For the year ended 31st December, 2011

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'000
Segment revenue	966,195	510,625	134,193	1,611,013
Segment profit	194,400	14,662	2,188	211,250
Other income				6,691
Central administrative costs				(28,453)
Share of losses of an associate				(1,298)
Finance costs				(3,091)
Profit before tax				185,099
Income tax expense				(50,304)
Profit for the year				134,795

For the year ended 31st December, 2010

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'000
Segment revenue	762,774	457,127	107,895	1,327,796
Segment profit	220,022	47,534	558	268,114
Other income				4,979
Central administrative costs				(15,160)
Finance costs				(3,006)
Profit before tax				254,927
Income tax expense				(78,584)
Profit for the year				176,343

8. SEGMENT INFORMATION (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Total segment revenue represents the Group's consolidated turnover as set out in the consolidated statement of comprehensive income. Segment profit represents the profit earned by each segment without allocation of central administrative costs including directors' salaries, other income, share of losses of an associate and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

As the Group's segment assets and liabilities are not regularly reviewed by the chief operating decision maker, the measure of total assets and liabilities for each operating segment is therefore not presented.

Other segment information

2011

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'000
Amount included in measure of segment profit or loss:				
Depreciation of property, plant and equipment	16,326	44,205	956	61,487
Impairment on accounts receivables	—	439	—	439
Loss on disposal and write-off of property, plant and equipment	620	147	15	782

2010

	Primary property real estate agency HK$'000	Secondary property real estate agency HK$'000	Property management HK$'000	Total HK$'000
Amount included in measure of segment profit or loss:				
Depreciation of property, plant and equipment	10,248	38,042	1,275	49,565
Impairment on accounts receivables	—	4,088	—	4,088
Loss on disposal and write-off of property, plant and equipment	92	111	—	203

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

8. SEGMENT INFORMATION (Continued)

Geographical information

The Group's businesses are located in Hong Kong and other parts of the PRC. Majority of the Group's primary property real estate agency, secondary property real estate agency and property management businesses are located in the PRC. The Group's revenue is all derived from customers located in the PRC.

At the end of each reporting period, substantially all of the non-current assets are located in the PRC.

Information about major customers

There was no revenue from any customer that contributes over 10% of total revenue of the Group for both years.

9. FINANCE COSTS

The amount represents interest on bank borrowings wholly repayable within five years.

10. INCOME TAX EXPENSE

	2011 **HK$'000**	2010 HK$'000
PRC Enterprises Income Tax ("EIT")	**49,297**	77,724
Deferred tax (note 27)	**1,007**	860
	50,304	78,584

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

Certain of the Group's subsidiaries operating in the PRC are required to pay the PRC income tax on a deemed profit basis at a predetermined tax rate of 2.5% to 5.0% (2010: 2.5% to 6.0%) on turnover during the current year. The predetermined tax rate is agreed and determined between each PRC subsidiary and respective tax bureau of local government and is subject to annual review and renewal.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profits in Hong Kong for both years.

10. INCOME TAX EXPENSE (Continued)

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

	2011 HK$'000	2010 HK$'000
Profit before tax	**185,099**	254,927
Tax at the applicable rate of 25%	**46,275**	63,732
Tax effect of share of losses of an associate	**325**	—
Tax effect of expenses not deductible for tax purpose	**1,888**	16,454
Tax effect of income not taxable for tax purpose	**—**	(258)
Effect of tax charged at predetermined tax rate on turnover entitled by certain subsidiaries operating in the PRC	**1,526**	(6,067)
Tax effect of tax loss not recognised	**8,312**	7,748
Utilisation of tax loss previously not recognised	**(8,022)**	(3,025)
Tax charge for the year	**50,304**	78,584

Details of deferred tax are set out in note 27.

11. PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration, including retirement benefits scheme contributions (note 12)	**8,093**	7,061
Other staff costs	**765,855**	479,486
Other retirement benefits scheme contributions	**57,235**	32,006
Total staff costs	**831,183**	518,553
Auditor's remuneration	**1,730**	1,630
Depreciation of property, plant and equipment	**61,487**	49,565
Impairment on accounts receivables	**439**	4,088
Loss on fair value changes of held for trading investments (included in administrative expenses)	**667**	317
Loss on disposal and write-off of property, plant and equipment (included in administrative expenses)	**782**	203
and after crediting:		
Bank interest income (included in other income)	**1,338**	1,050
Net rental income in respect of premises, net of negligible outgoings (included in other income)	**2,614**	1,286

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

12. DIRECTORS' EMOLUMENTS

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

For the year ended 31st December, 2011

	Mr. Fu Wai Chung HK$'000	Ms. Ng Wan HK$'000	Ms. Fu Man HK$'000	Mr. Lo Yat Fung HK$'000	Mr. Ng Keung HK$'000	Mr. Lam King Pui HK$'000	Mrs. Wong Law Kwai Wah, Karen HK$'000	Total HK$'000
Fees	–	–	–	–	66	132	198	396
Salaries and other benefits	2,162	1,789	2,078	1,620	–	–	–	7,649
Retirement benefits scheme contributions	12	12	12	12	–	–	–	48
Total emoluments	2,174	1,801	2,090	1,632	66	132	198	8,093

For the year ended 31st December, 2010

	Mr. Fu Wai Chung HK$'000	Ms. Ng Wan HK$'000	Ms. Fu Man HK$'000	Mr. Lo Yat Fung HK$'000	Mr. Ng Keung HK$'000	Mr. Lam King Pui HK$'000	Mrs. Wong Law Kwai Wah, Karen HK$'000	Total HK$'000
Fees	–	–	–	–	60	120	180	360
Salaries and other benefits	1,778	1,725	1,750	1,400	–	–	–	6,653
Retirement benefits scheme contributions	12	12	12	12	–	–	–	48
Total emoluments	1,790	1,737	1,762	1,412	60	120	180	7,061

The Group also provided rent-free accommodation to Mr. Fu Wai Chung, the executive director, for the year ended 31st December, 2011. The estimated monetary value of the properties involved, which are owned by the Group, amounted to HK$840,000 (2010: HK$840,000).

For both 2011 and 2010, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for both 2011 and 2010.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2010: four) were directors of the Company, whose emoluments are included in note 12 above. The emoluments of the remaining individual were as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	**870**	649
Retirement benefits scheme contributions	**12**	4
	882	653

14. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Dividends recognised as distribution during the year:		
2011 Interim — HK3.5 cents per share		
(2010: 2010 Interim — HK4 cents per share)	**16,077**	13,790
2010 Final — HK11 cents per share		
(2010: 2009 Final — HK9 cents per share)	**42,038**	26,640
	58,115	40,430

The final dividend of HK5.5 cents in respect of the year ended 31st December, 2011 (2010: final dividend of HK11 cents in respect of the year ended 31st December, 2010) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2011 HK$'000	2010 HK$'000
Earnings for the purpose of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**134,274**	171,494

Number of shares

	2011 '000	2010 '000 (restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**458,891**	413,422
Effect of dilutive potential ordinary shares — Share options	**3,566**	3,211
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**462,457**	416,633

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31st December, 2011 and 2010 have been adjusted for the bonus issues. Details of the bonus issues are set out in note 26.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2010	24,996
Exchange adjustments	1,306
Transfers from property, plant and equipment	6,719
At 31st December, 2010	33,021
Exchange adjustments	1,418
At 31st December, 2011	**34,439**

The fair values of the Group's investment properties at 31st December, 2011 and 2010 have been arrived at by directors' valuation with reference to the valuation carried out on that date by BMI Appraisals Limited, an independent qualified valuer not connected to the Group. BMI Appraisals Limited is a member of the Institute of Valuers. The valuation was based on the Comparison Approach assuming sales in their existing status and by making reference to market evidence of transaction prices for similar properties in the same locations and conditions. In the opinion of the directors, no material valuation surplus/deficit arises from the valuation as at 31st December, 2011 and 2010.

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

The carrying value of investment properties shown above comprises of leasehold land under medium term land use rights in the PRC.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Office equipment, furnitures and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST					
At 1st January, 2010	85,046	189,202	93,593	33,757	401,598
Exchange adjustments	3,368	8,584	4,115	1,421	17,488
Additions	10,052	46,916	15,782	8,819	81,569
Disposals	—	—	(1,578)	(2,071)	(3,649)
Transfers to investment properties	(7,571)	—	—	—	(7,571)
At 31st December, 2010	90,895	244,702	111,912	41,926	489,435
Exchange adjustments	3,955	11,164	5,052	1,829	22,000
Additions	4,228	57,229	25,860	11,114	98,431
Disposals	—	—	(4,776)	(1,398)	(6,174)
At 31st December, 2011	**99,078**	**313,095**	**138,048**	**53,471**	**603,692**
DEPRECIATION					
At 1st January, 2010	15,574	100,283	48,066	18,577	182,500
Exchange adjustments	638	4,596	2,223	771	8,228
Provided for the year	1,776	28,077	14,562	5,150	49,565
Disposals	—	—	(1,339)	(1,434)	(2,773)
Transfers to investment properties	(852)	—	—	—	(852)
At 31st December, 2010	17,136	132,956	63,512	23,064	236,668
Exchange adjustments	761	6,155	2,837	992	10,745
Provided for the year	2,095	38,927	13,612	6,853	61,487
Disposals	—	—	(3,617)	(800)	(4,417)
At 31st December, 2011	**19,992**	**178,038**	**76,344**	**30,109**	**304,483**
CARRYING VALUES					
At 31st December, 2011	**79,086**	**135,057**	**61,704**	**23,362**	**299,209**
At 31st December, 2010	73,759	111,746	48,400	18,862	252,767

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

Leasehold land and buildings	Over the term of the leases or 40 years, whichever is shorter
Leasehold improvements	Over the term of the leases or 5 years, whichever is shorter
Office equipment, furnitures and fixtures	20%
Motor vehicles	20%

The leasehold land and buildings of the Group are held under medium term land use rights in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

18. GOODWILL

	HK$'000
COST	
At 1st January, 2010	15,544
Exchange adjustments	64
At 31st December, 2010	15,608
Exchange adjustments	173
At 31st December, 2011	**15,781**

For the purposes of impairment testing, goodwill as detailed above has been allocated to the subsidiaries as individual cash generating units (CGUs) from which goodwill arose. The carrying amount of goodwill as at 31st December, 2011 allocated to these units are as follows:

	2011 HK$'000	2010 HK$'000
Provision of estate management services in the PRC ("Unit A")	**2,996**	2,823
Provision of real estate agency services in the PRC ("Unit B")	**12,785**	12,785
	15,781	15,608

During the year ended 31st December, 2011, management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

The recoverable amount of the CGUs has been determined based on a value in use calculations. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 14.16% and 17.25% (2010: 12.75% and 15.08%) for Unit A and Unit B, respectively. The set of cash flows beyond five-year period are extrapolated using a decelerating growth rate from 10% to 5% (2010: a decelerating growth rate of 10% to 3%), as determined by management. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/ outflows which include budgeted building management fees and commission income of Unit A and Unit B respectively and respective profit margin, such estimation is based on unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGUs to exceed the aggregate recoverable amount.

19. ACQUISITION OF SUBSIDIARIES

On 30th August, 2010, the Group acquired 100% of the issued share capital of Firstnet Group Limited at an aggregate consideration of HK$135,847,000 in which HK$5,269,000 was paid by cash and HK$130,578,000 was settled by issuance of 42,000,000 ordinary shares with par value of HK$0.01 each of the Company. The subsidiary of an associate of Firstnet Group Limited is engaged in property development for commercial use.

Consideration transferred

	HK$'000
Equity instruments issued	130,578
Cash	5,269
Total	135,847

The fair value of 42,000,000 ordinary shares with par value of HK$0.01 each of the Company issued as part of the consideration, determined using the published price available at the date of the acquisition, amounted to HK$130,578,000.

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

	HK$'000
Interest in an associate (note)	137,230
Other receivables	67
Bank balances and cash	2,956
Other payables	(4,406)
	135,847

Note: The principal asset of the associate is the leasehold land in the PRC for the property development project. As at 31st December, 2010, the project was under development.

Net cash outflow on acquisition

	HK$'000
Cash consideration paid	5,269
Less: cash and cash equivalent balances acquired	(2,956)
	2,313

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

20. INTEREST IN AN ASSOCIATE

	2011 HK$'000	2010 HK$'000
Interest in an associate	**137,230**	137,230
Share of post-acquisition losses and other comprehensive expenses	**(1,298)**	—
Exchange adjustments	**5,893**	—
	141,825	137,230

As at 31st December, 2011 and 2010, the Group had interests in the following associate:

Name of Entity	Form of entity	Place of registration	Place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Group Directly	Principal activities
Guangzhou Bao Lai Recycle Technology Company Ltd.	Establishment	The PRC	The PRC	Registered	26%	Investment holding

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

	2011 HK$'000	2010 HK$'000
Total assets	**1,483,195**	985,477
Total liabilities	**(921,517)**	(437,097)
Non-controlling interests	**(16,197)**	(20,572)
Net assets	**545,481**	527,808
Group's share of net assets of an associate	**141,825**	137,230

	2011 HK$'000	2010 HK$'000
Turnover	**—**	—
Losses and total comprehensive expenses for the year	**(9,367)**	—
Group's share of losses and comprehensive expenses of an associate for the year	**(1,298)**	—

21. ACCOUNTS RECEIVABLES

The Group allows an average credit period ranging from 30 to 120 days to its customers. The aged analysis of accounts receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	2011 HK$'000	2010 HK$'000
Accounts receivables		
0–30 days	195,445	129,478
31–60 days	154,234	64,159
61–90 days	74,543	64,625
91–120 days	29,542	35,095
121–180 days	13,771	13,941
	467,535	307,298

Included in the Group's accounts receivables balance are debtors with aggregate carrying amount of HK$13,771,000 (2010: HK$13,941,000) which are past due as at the reporting date for which the Group has not provided for impairment loss because management is of the opinion that the fundamental credit quality of these customers has not deteriorated.

Before accepting any new customer, the Group assesses the potential customer's credit quality. The credit quality is reviewed periodically. Majority of the accounts receivables that are neither past due nor impaired have no default payment history. The Group does not hold any collateral over these balances.

Ageing of accounts receivables which are past due but not impaired

	2011 HK$'000	2010 HK$'000
121–150 days	13,701	9,432
151–180 days	70	4,509
	13,771	13,941

Movement in the allowance for doubtful debts

	2011 HK$'000	2010 HK$'000
At 1st January	8,995	6,281
Amounts written off as uncollectable	—	(1,374)
Impairment losses recognised on receivables	439	4,088
At 31st December	9,434	8,995

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

22. HELD FOR TRADING INVESTMENTS

Held for trading investments include:

	2011 HK$'000	2010 HK$'000
Equity securities listed in Hong Kong	453	1,234

23. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits that are interest-bearing at market interest rate ranging from 0.01% to 3.30% (2010: 0.01% to 2.25%) and have original maturity of three months or less.

24. PAYABLES AND ACCRUALS

The payables and accruals mainly comprise deposits received, receipts in advance, accrued salary and other sundry creditors.

25. BANK BORROWINGS

	2011 HK$'000	2010 HK$'000
Secured	53,457	40,235

The above bank borrowings are all repayable within one year.

As at 31st December, 2011 and 2010, all bank borrowings of the Group were secured by certain of the Group's investment properties and leasehold land and buildings. Details of pledge of assets are set out in note 28.

The ranges of effective interest rates on the Group's borrowings are as follows:

	Year ended 2011	Year ended 2010
Effective interest rate:		
Fixed-rate bank borrowings	N/A	4.43% to 5.51%
Variable-rate bank borrowings	5.31% to 8.53%	N/A

As at 31st December, 2011 and 2010, the Group's borrowings are all denominated in RMB.

26. SHARE CAPITAL

	Number of shares	Nominal amounts HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1st January, 2010, 31st December, 2010 and 31st December, 2011	8,000,000,000	80,000
Issued and fully paid:		
At 1st January, 2010	296,000,000	2,960
Issued as consideration for the acquisition of 100% of the issued share capital of Firstnet Group Limited (note 1)	42,000,000	420
Exercise of share options (note 2)	8,065,000	80
Bonus issue of shares (note 3)	34,475,000	345
At 31st December, 2010	380,540,000	3,805
Exercise of share options (note 2)	2,365,200	24
Bonus issue of shares (note 4)	76,433,200	764
At 31st December, 2011	**459,338,400**	**4,593**

Notes:

1. On 30th August, 2010, 42,000,000 ordinary shares of the Company of HK$0.01 each were issued as part of the consideration for the acquisition of Firstnet Group Limited. Details of this acquisition were set out in note 19.

2. During the year ended 31st December, 2011, a total of 2,365,200 (2010: 8,065,000) share options of the Company had been exercised at the aggregate consideration of HK$5,293,584 (2010: HK$20,677,000). Details of the movement in share options were set out in note 30.

3. On 4th October, 2010, 34,475,000 ordinary shares of the Company of HK$0.01 each were issued on a ten-to-one basis by way of capitalisation of part of the Company's share premium. Details of the bonus issues were set out in the circular of the Company dated 30th August, 2010.

4. On 23rd June, 2011, 76,433,200 ordinary shares of the Company of HK$0.01 each were issued on a fifth-to-one basis by way of capitalisation of part of the Company's share premium. Details of the bonus issues were set out in the circular of the Company dated 14th April, 2011.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

27. DEFERRED TAX LIABILITIES

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

	Revenue recognised for accounting purpose but not for tax purpose HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 1st January, 2010	8,066	11,885	19,951
(Credit) charge to profit or loss (note 10)	(5,087)	5,947	860
Exchange adjustments	240	596	836
At 31st December, 2010	3,219	18,428	21,647
(Credit) charge to profit or loss (note 10)	(3,902)	4,909	1,007
Exchange adjustments	683	852	1,535
At 31st December, 2011	**—**	**24,189**	**24,189**

At 31st December, 2011, the Group's PRC subsidiaries had unused tax losses of approximately HK$108,761,000 (2010: HK$113,841,000) available for offset against future profits. An analysis of the expiry dates of the tax losses is as follows:

	2011 HK$'000	2010 HK$'000
2013	**58,193**	89,481
2014	**3,902**	3,902
2015	**19,660**	20,458
2016	**27,006**	—
	108,761	113,841

In addition, the Group (other than its subsidiaries in the PRC) had unused tax losses of approximately HK$34,022,000 (2010: HK$27,780,000) available for offset against future profits. Such unrecognised tax losses may be carried forward indefinitely.

No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$567,466,000 (2010: HK$399,512,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. PLEDGE OF ASSETS

The Group had pledged the following assets for banking facilities granted to the Group:

	2011 HK$'000	2010 HK$'000
Investment properties	**32,152**	30,828
Leasehold land and buildings	**49,853**	47,800
	82,005	78,628

29. OPERATING LEASES

The Group as lessee

The Group made minimum lease payments under operating leases in respect of office premises and shops of approximately HK$106,637,000 (2010: HK$79,390,000).

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	**90,614**	82,503
In the second to fifth year inclusive	**120,786**	132,822
Over five years	**1,765**	4,349
	213,165	219,674

Operating lease payments represent rentals payable by the Group for certain of its office premises and shops. Leases are negotiated and rentals are fixed for lease terms of one to eight years (2010: one to ten years).

The Group as lessor

Property rental income earned during the year was approximately HK$2,614,000 (2010: HK$1,286,000). All of the investment properties held have committed tenants for the next one to ten years (2010: one to twelve years).

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	**2,157**	1,501
In the second to fifth years inclusive	**3,547**	3,396
Over five years	**98**	114
	5,802	5,011

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

30. SHARE OPTIONS SCHEME

The Company's share option scheme ("the Scheme"), was adopted pursuant to a resolution passed on 24th June, 2004 for the primary purpose of providing incentives or rewards to directors, eligible employees and advisors and consultants of the Group for their contributions to the Group. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Scheme became effective upon the listing of the Company's shares on the Stock Exchange on 15th July, 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date of its adoption on 24th June, 2004.

The offer of the grant of share options may be accepted within 28 days from the date of the offer, at a consideration of HK$1, payable by the grantee upon the acceptance of the offer. The options may be exercised at any time within the period commencing from the date of grant of the option and expiring on the date following 10 years from the date of acceptance of the grant of the options. Unless otherwise determined by the executive directors, the Scheme does not require a minimum period for which the options must be held or a performance target which must be achieved before the options can be exercised.

The subscription price of the share options is determinable by the directors, but shall be the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant and (iii) the nominal value of a share of the Company.

Pursuant to the Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company was 18,000,000, which is not permitted to exceed 10% of the issued share capital of the Company as at the date of adoption of the Scheme and had been fully utilised by the Company. On 9th June, 2010, the Company's shareholders passed an ordinary resolution to refresh the 10% general limit under the Scheme in order to enable the Company to grant further options to subscribe up to a maximum of 29,600,000 shares representing approximately 6.44% of the total number of issued shares of the Company as at 31st December, 2011. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12-month period up to and including the date of grant exceeding 1% of total number of shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting. Such participant and his associates (as defined in the Listing Rules) have to abstain from voting and/or comply with other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's shares in issue and with a value in excess of HK$5 million within any 12-month period must be approved in advance by the Company's shareholders.

30. SHARE OPTIONS SCHEME (Continued)

The following table disclose movements of the Company's share option held by directors and employees during the year, all the options have vesting date of 16th December, 2009, exercisable period from 16th December, 2009 to 15th December, 2012 and adjusted exercise price of HK$1.97 (2010: HK$2.36) per share:

Directors	Outstanding at 1st January, 2011	Exercised during the year (before bonus issue of shares)	Adjustments upon bonus issue of shares	Exercised during the year (after bonus issue of shares)	Outstanding at 31st December, 2011
Mr. FU Wai Chung	308,000	–	61,600	(369,600)	–
Ms. NG Wan	308,000	–	61,600	(369,600)	–
Ms. FU Man	3,080,000	(480,000)	520,000	–	3,120,000
Mr. LO Yat Fung	3,080,000	–	616,000	–	3,696,000
Mr. LAM King Pui	198,000	–	39,600	–	237,600
Mr. NG Keung	198,000	–	39,600	–	237,600
Mrs. WONG LAW Kwai Wah, Karen	198,000	–	39,600	–	237,600
Directors in aggregate	7,370,000	(480,000)	1,378,000	(739,200)	7,528,800
Employees in aggregate	3,680,000	(1,146,000)	506,800	–	3,040,800
Total	11,050,000	(1,626,000)	1,884,800	(739,200)	10,569,600
Exercisable at the end of the year					10,569,600
Weighted average exercise price	HK$2.36	HK$2.36	HK$1.97	HK$1.97	HK$1.97

Directors	Outstanding at 1st January, 2010	Exercised during the year (before bonus issue of shares)	Adjustments upon bonus issue of shares	Exercised during the year (after bonus issue of shares)	Outstanding at 31st December, 2010
Mr. FU Wai Chung	280,000	–	28,000	–	308,000
Ms. NG Wan	280,000	–	28,000	–	308,000
Ms. FU Man	2,800,000	–	280,000	–	3,080,000
Mr. LO Yat Fung	2,800,000	–	280,000	–	3,080,000
Mr. LAM King Pui	180,000	–	18,000	–	198,000
Mr. NG Keung	180,000	–	18,000	–	198,000
Mrs. WONG LAW Kwai Wah, Karen	180,000	–	18,000	–	198,000
Directors in aggregate	6,700,000	–	670,000	–	7,370,000
Employees in aggregate	11,300,000	(6,850,000)	445,000	(1,215,000)	3,680,000
Total	18,000,000	(6,850,000)	1,115,000	(1,215,000)	11,050,000
Exercisable at the end of the year					11,050,000
Weighted average exercise price	HK$2.60	HK$2.60	HK$2.36	HK$2.36	HK$2.36

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$3.80 (2010: HK$3.33).

During the year ended 31st December, 2011 and 2010, no expense in relation to share options has been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

31. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of HK$1,000 or 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

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

32. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of key management during the year is as follows:

	2011 HK$'000	2010 HK$'000
Short term benefits	**8,915**	7,662
Post-employment benefits	**60**	52
	8,975	7,714

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

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up/ registered share capital	Attributable equity interest (note 1) 2011 %	2010 %	Principal activities	Place of operation
Guangdong Hope Real Properties Limited (note 2)	13th February, 1996 The PRC	Registered	RMB2,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Guangzhou New Profits Properties Agency Limited (note 3)	12th May, 1998 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Hopefluent (BVI) Limited (note 3)	8th August, 2002 British Virgin Islands ("BVI")	N/A	US$100	**100**	100	Investment holding	Hong Kong

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up/ registered share capital	Attributable equity interest (note 1) 2011 %	2010 %	Principal activities	Place of operation
Sino Estate Holdings Limited (note 3)	6th November, 2003 BVI	N/A	US$100	**100**	100	Investment holding	Hong Kong
Guangzhou Hope Profits Properties Agency Limited (note 3)	16th March, 1998 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Hopefluent (China) Real Properties Consultancy Limited (note 3)	31st July, 2001 The PRC	Registered	HK$50,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Tianjin Hopefluent Real Properties Sales and Marketing Limited (note 3)	14th March, 2002 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Hopefluent Properties Limited (note 3)	7th September, 2001 Hong Kong	Ordinary	HK$100	**100**	100	Provision of real estate agency services in the PRC	Hong Kong
Hopefluent Promotion Limited (note 3)	5th October, 2001 Hong Kong	Ordinary	HK$100	**100**	100	Provision of advertising and marketing services in the PRC	Hong Kong
Hopefluent (Hong Kong) Limited (note 3)	11th May, 2001 Hong Kong	Ordinary	HK$100,000	**100**	100	Investment holding	Hong Kong
Foshan Hopefluent Real Properties Consultancy Limited (note 3)	1st September, 2003 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Dongguan Hopefluent Real Properties Consultancy Limited (note 3)	4th November, 2003 The PRC	Registered	RMB1,000,000	**86**	86	Provision of real estate agency services in the PRC	The PRC

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up/ registered share capital	Attributable equity interest (note 1) 2011 %	2010 %	Principal activities	Place of operation
Hubei Hopefluent Real Properties Consultancy Limited (note 3)	1st April, 2004 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Shanghai Hope Realty Consultancy Limited (note 2)	29th October, 2004 The PRC	Registered	RMB10,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Shanghai Hopefluent Real Properties Consultancy Limited (note 2)	19th October, 2004 The PRC	Registered	RMB1,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Asia Asset Property (China) Limited (note 3)	27th February, 1998 Hong Kong	Ordinary	HK$5,323,000	**80**	80	Investment holding	Hong Kong
Asia Asset Property Services (Shanghai) Co., Ltd (note 2)	10th August, 1998 The PRC	Registered	US$630,000	**80**	80	Provision of property management services in the PRC	The PRC
Asia Asset Property Services (Guangzhou) Co., Ltd (note 2)	5th August, 1999 The PRC	Registered	RMB5,000,000	**80**	80	Provision of property management services in the PRC	The PRC
Asia Asset Property Services (Wuhan) Co., Ltd (note 2)	26th June, 1995 The PRC	Registered	HK$5,000,000	**80**	80	Provision of property management services in the PRC	The PRC
Beijing Hopefluent Real Properties Consultancy Limited (note 3)	19th May, 1995 The PRC	Registered	RMB2,000,000	**100**	100	Provision of real estate agency services in the PRC	The PRC
Bola Realty Guarantee (Guangzhou) Limited (formerly known as Bola Realty Financing (Guangzhou) Limited) (note 3)	7th August, 2002 The PRC	Registered	RMB101,000,000	**97**	97	Provision of mortgage referral services in the PRC	The PRC

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up/ registered share capital	Attributable equity interest (note 1) 2011 %	2010 %	Principal activities	Place of operation
Guangdong Hopefluent Real Properties Consultancy Limited (note 3)	11th August, 2005 The PRC	Registered	RMB5,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Henan Hopefluent Real Properties Consultancy Limited (note 3)	16th November, 2004 The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Jinan Hopefluent Real Properties Consultancy Limited (note 3)	8th April, 2005 The PRC	Registered	RMB2,010,000	100	100	Provision of real estate agency services in the PRC	The PRC
Anhui Hopefluent Real Properties Consultancy Limited (note 3)	9th September, 2005 The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Jun Hua Auction (Guangzhou) Limited (note 3)	20th August, 2004 The PRC	Registered	RMB12,000,000	80	80	Provision of property auction services in the PRC	The PRC
Guangzhou Bright Profits Properties Agency Limited (note 3)	9th December, 2005 The PRC	Registered	RMB2,000,000	72.5	72.5	Provision of real estate agency services in the PRC	The PRC
Qingyuan Hopefluent Real Properties Consultancy Limited (note 3)	27th April, 2007 The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services in the PRC	The PRC
Guangdong Wanjia Information Company Limited (note 3)	19th April, 2005 The PRC	Registered	RMB5,000,000	100	100	Investment holding	The PRC
Guizhou Hopefluent Real Properties Consultancy Limited (note 3)	17th September, 2008 The PRC	Registered	RMB1,000,000	100	100	Provision of real estate agency services in the PRC	The PRC

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2011

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Date and place of incorporation/ registration	Class of share held	Issued and paid up/ registered share capital	Attributable equity interest (note 1)		Principal activities	Place of operation
				2011	2010		
				%	%		
Firstnet Group Ltd. (note 3)	1st July, 2008 BVI	Ordinary	US$1.00	**100**	100	Investment holding	Hong Kong
Top Trade International Investment Ltd. (note3)	22nd May, 2009 Hong Kong	Ordinary	HK$1.00	**100**	100	Investment holding	Hong Kong
Guangzhou Gui Chuang Recycle Technology Company Limited (note 3)	31st August, 2009 The PRC	Registered	HK$3,000,000	**100**	100	Investment holding	The PRC

Notes:

1. The Company directly holds the equity interest in Hopefluent (BVI) Limited. All other interests shown above are indirectly held by the Company.

2. The companies are sino-foreign equity joint ventures with limited liability.

3. The companies are limited liability companies.

None of the subsidiaries had issued any debt securities at the end of the year.

The above table lists the subsidiaries of the Group as at 31st December, 2011 and 2010 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.

34. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	2011 HK$'000	2010 HK$'000
TOTAL ASSETS		
Unlisted investments in subsidiaries	**67,386**	67,386
Amounts due from subsidiaries	**309,657**	359,734
Bank balances and cash	**149**	4,264
Other receivables	**191**	190
	377,383	431,574
TOTAL LIABILITIES		
Other payables	**54**	6
	377,329	431,568
SHARE CAPITAL AND RESERVES		
Share capital (note 26)	**4,593**	3,805
Reserves	**372,736**	427,763
	377,329	431,568

Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is as follows:

	For the year ended 31st December,				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
RESULTS					
Turnover	773,654	683,927	995,450	1,327,796	**1,611,013**
Profit (loss) before tax	159,016	(61,395)	168,398	254,927	**185,099**
Income tax expense	(41,117)	(17,753)	(40,028)	(78,584)	**(50,304)**
Profit (loss) for the year	117,899	(79,148)	128,370	176,343	**134,795**
Attributable to:					
Owners of the Company	109,820	(75,176)	125,586	171,494	**134,274**
Non-controlling interests	8,079	(3,972)	2,784	4,849	**521**
	117,899	(79,148)	128,370	176,343	**134,795**

	At 31st December,				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011 HK$'000**
ASSETS AND LIABILITIES					
Total assets	722,949	675,003	863,694	1,210,324	**1,339,950**
Total liabilities	175,448	181,347	227,072	261,187	**268,403**
Total equity	547,501	493,656	636,622	949,137	**1,071,547**
Attributable to:					
Owners of the Company	520,951	471,427	615,302	923,564	**1,042,782**
Non-controlling interests	26,550	22,229	21,320	25,573	**28,765**
	547,501	493,656	636,622	949,137	**1,071,547**