Annual Report 2011

SHOUGANG CONCORD GRAND (GROUP) LIMITED

Stock Code : 730

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Li Shaofeng *(Chairman)*
Luo Zhenyu *(Managing Director)*
Wang Tian *(Deputy Managing Director)*
Yuan Wenxin *(Deputy Managing Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Tam King Ching, Kenny
(Independent Non-executive Director)
Zhou Jianhong
(Independent Non-executive Director)
Yip Kin Man, Raymond
(Independent Non-executive Director)

EXECUTIVE COMMITTEE

Li Shaofeng *(Chairman)*
Luo Zhenyu
Wang Tian
Yuan Wenxin

AUDIT COMMITTEE

Tam King Ching, Kenny *(Chairman)*
Zhou Jianhong
Yip Kin Man, Raymond

NOMINATION COMMITTEE

Li Shaofeng *(Chairman)*
Leung Shun Sang, Tony *(Vice Chairman)*
Tam King Ching, Kenny
Zhou Jianhong
Yip Kin Man, Raymond

REMUNERATION COMMITTEE

Leung Shun Sang, Tony *(Chairman)*
Li Shaofeng *(Vice Chairman)*
Tam King Ching, Kenny
Zhou Jianhong
Yip Kin Man, Raymond

COMPANY SECRETARY

Cheng Man Ching

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL REGISTRARS

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Rooms 1101-04, 11th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

STOCK CODE

730

WEBSITE

www.shougang-grand.com.hk

Mr. Li Shaofeng, aged 45, holds a bachelor degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed an Executive Director and the Chairman of the Company in May 2010 and is the chairman of each of the Executive Committee and the Nomination Committee, and the vice chairman of the Remuneration Committee of the Company. He joined Shougang Corporation, the ultimate holding company of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), in 1989 and is the vice chairman and managing director of Shougang Holding and a director of Wheeling Holdings Limited ("Wheeling"). Each of Shougang Holding and Wheeling is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Mr. Li is the managing director of Shougang Concord International Enterprises Company Limited ("Shougang International"), the chairman of each of Shougang Fushan Resources Group Limited (formerly Fushan International Energy Group Limited) ("Shougang Resources"), Shougang Concord Century Holdings Limited ("Shougang Century"), Shougang Concord Technology Holdings Limited ("Shougang Technology") and Global Digital Creations Holdings Limited ("GDC"). He is also a non-executive director of Sinocop Resources (Holdings) Limited, a Hong Kong listed company. Mr. Li is a director of Mount Gibson Iron Limited ("Mount Gibson"), a company listed on the Australian Securities Exchange, and was an alternate director to Mr. Cao Zhong, an ex-director of Mount Gibson, from November 2011 to February 2012. He has extensive experience in management of, and investments in, listed companies, sino-foreign joint ventures and steel industry.

A service contract was entered into between Mr. Li and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Li is entitled to a monthly salary of HK$150,000 or such higher salary and discretionary bonus as may be determined by the board of directors of the Company (the "Board") from time to time. For the financial year ended 31 December 2011, Mr. Li's monthly salary is HK$150,000 and his discretionary bonus is HK$2,250,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Li's individual performance.

DIRECTORS' BIOGRAPHIES

Mr. Luo Zhenyu, aged 42, graduated from Tianjin University and Graduate School, the Chinese Academy of Social Sciences with a bachelor degree in technology and a doctor degree in economics respectively. Mr. Luo was appointed an Executive Director and the Managing Director of the Company in May 2010 and is a member of the Executive Committee of the Company. He was a deputy managing director of Shougang International from January 2005 to May 2010. Mr. Luo has extensive experience in corporate investment.

A service contract was entered into between Mr. Luo and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Luo is entitled to a monthly salary of HK$180,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2011, Mr. Luo's monthly salary is HK$180,000 and his discretionary bonus is HK$1,800,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Luo's individual performance.

Mr. Wang Tian, aged 56, senior economist. He holds a PhD degree in economics. Mr. Wang was appointed an Executive Director of the Company in March 2004 and is currently the Deputy Managing Director of the Company and a member of the Executive Committee of the Company. He has extensive experience in the field of financial management. Mr. Wang had been awarded certificate and special allowance from the Government of the People's Republic of China as a commendation for his outstanding contribution in developing the financial business in Mainland China.

A service contract was entered into between Mr. Wang and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Wang is entitled to a monthly salary of HK$120,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2011, Mr. Wang's monthly salary is HK$120,000 and his discretionary bonus is HK$1,200,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Wang's individual performance.

Mr. Yuan Wenxin, aged 42, holds a bachelor degree in law and a post-graduate diploma in finance from Hunan University Law School and an EMBA degree from China Europe International Business School (CEIBS). Mr. Yuan was appointed an Executive Director of the Company in August 2005 and is currently the Deputy Managing Director of the Company and a member of the Executive Committee of the Company. He was an assistant general manager of Shougang Holding and a director of Shougang Technology. Mr. Yuan has extensive experience in financial investment and corporate restructuring.

A service contract was entered into between Mr. Yuan and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Yuan is entitled to a monthly salary of HK$120,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2011, Mr. Yuan's monthly salary is HK$120,000 and his discretionary bonus is HK$720,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Yuan's individual performance.

Mr. Leung Shun Sang, Tony, aged 69, holds a master degree in business administration from New York State University. Mr. Leung was appointed a Non-executive Director of the Company in July 1995 and is the chairman of the Remuneration Committee and the vice chairman of the Nomination Committee of the Company. He is also a non-executive director of each of Shougang International, Shougang Resources, Shougang Century, Shougang Technology and GDC. Mr. Leung is the managing director of CEF Group. He has over 40 years of experience in finance, investment and corporate management.

An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2011, the director's fee of Mr. Leung is HK$190,000. For the financial year ending 31 December 2012, the director's fee of Mr. Leung will be HK$190,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

Mr. Tam King Ching, Kenny, aged 63. Mr. Tam was appointed an Independent Non-executive Director of the Company in February 1996 and is the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company. He is a practising Certified Public Accountant in Hong Kong. Mr. Tam is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. He is serving as a member of each of the Small and Medium Practitioners Leadership Panel and the Practice Review Committee in the Hong Kong Institute of Certified Public Accountants. Mr. Tam is a Past President of The Society of Chinese Accountants and Auditors. He also serves as an independent non-executive director of five other listed companies on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), namely, CCT Telecom Holdings Limited, Kingmaker Footwear Holdings Limited, Starlite Holdings Limited, Van Shung Chong Holdings Limited and West China Cement Limited which was delisted from the Alternative Investment Market of the London Stock Exchange plc on 23 August 2010, and a listed company on the Growth Enterprise Market of the Stock Exchange, namely, North Asia Strategic Holdings Limited.

An engagement letter was entered into with Mr. Tam for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Tam is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2011, the director's fee of Mr. Tam is HK$240,000. For the financial year ending 31 December 2012, the director's fee of Mr. Tam will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Tam. Such director's fees were determined with reference to Mr. Tam's experience and duties as well as the then prevailing market conditions.

Ms. Zhou Jianhong, aged 46, graduated from Peking University with a master degree in economic law. Ms. Zhou was appointed an Independent Non-executive Director of the Company in September 2004 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. She is a practising solicitor in Hong Kong.

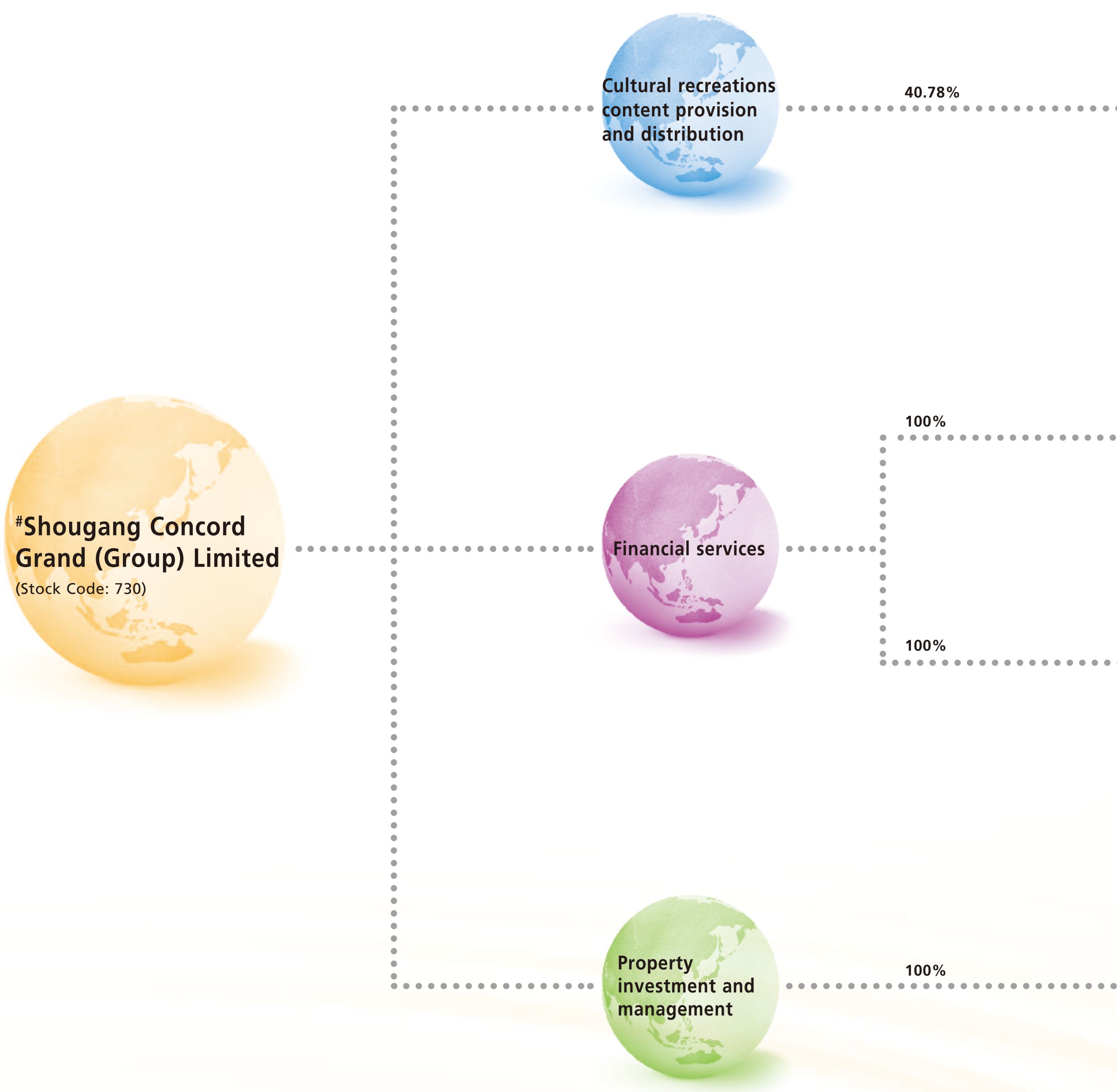
An engagement letter was entered into with Ms. Zhou for a term of three years commencing on 1 January 2011. Under the engagement letter, Ms. Zhou is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2011, the director's fee of Ms. Zhou is HK$240,000. For the financial year ending 31 December 2012, the director's fee of Ms. Zhou will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Ms. Zhou. Such director's fees were determined with reference to Ms. Zhou's experience and duties as well as the then prevailing market conditions.

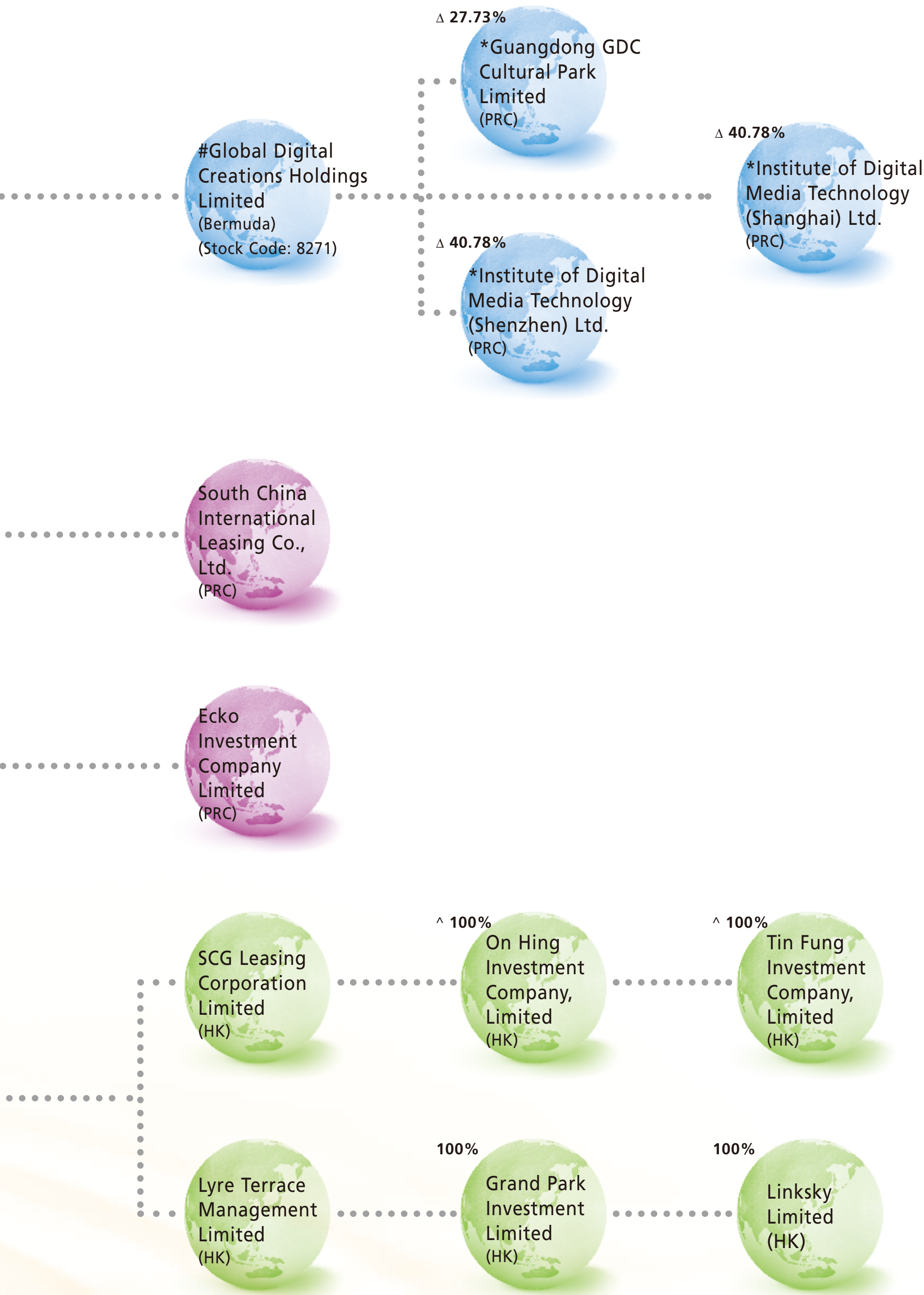
Mr. Yip Kin Man, Raymond, aged 65. Mr. Yip was appointed an Independent Non-executive Director of the Company in January 2007 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of Shougang Century. Mr. Yip is a practising solicitor, notary public and Attesting Officer appointed by the Ministry of Justice of the PRC.

An engagement letter was entered into with Mr. Yip for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Yip is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2011, the director's fee of Mr. Yip is HK$240,000. For the financial year ending 31 December 2012, the director's fee of Mr. Yip will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Yip. Such director's fees were determined with reference to Mr. Yip's experience and duties as well as the then prevailing market conditions.

MAIN OPERATIONAL STRUCTURE

As at 31 December 2011



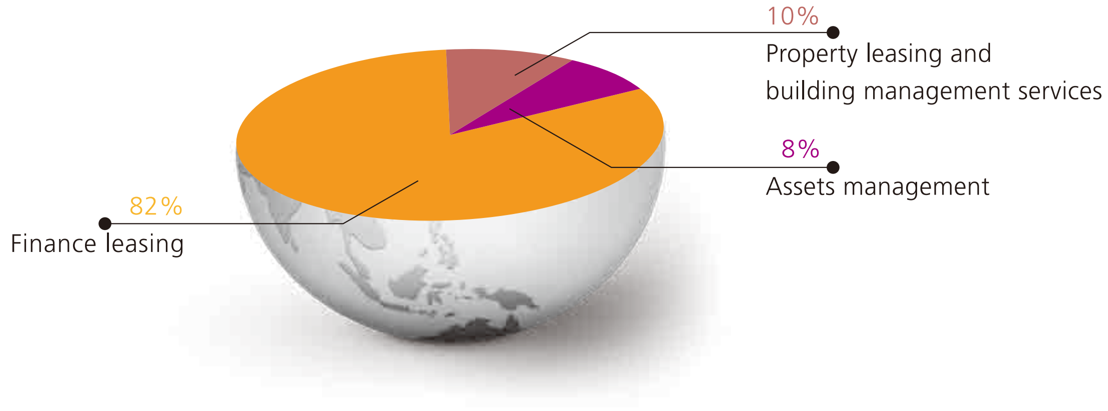


Notes:

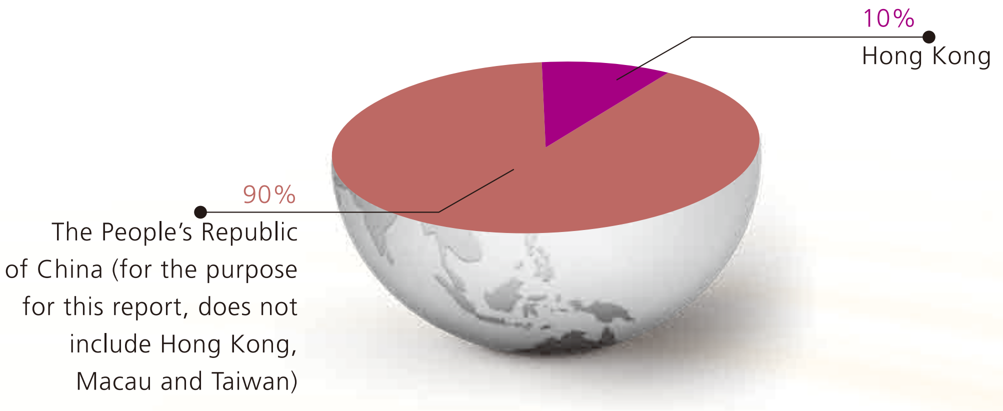
- \# Listed company
- * For identification purpose only
- Δ Attributable interest held by Shougang Concord Grand (Group) Limited
- ^ Interests only refer to voting shares

FINANCIAL HIGHLIGHTS

TURNOVER BY PRINCIPAL ACTIVITY FOR THE YEAR 2011



TURNOVER BY GEOGRAPHICAL LOCATION FOR THE YEAR 2011



I am pleased to present that the Group recorded a profit attributable to shareholders of approximately HK$113 million. Our shareholders' funds stood at HK$834 million, representing HK$0.72 per share. 2011 was a year of all-rounded development for the Group.

In the year of 2011, the global economic environment was full of challenges. The global financial markets continued to fluctuate as a result of deepening market concerns over the global economic outlook, far below expectation recovery progress for the major economic economies, downgrading of sovereign rating in the United States, and lack of progress in resolving the Euro zone debt crisis and its escalation to more countries in Europe. Being affected by the reduced exports to the developed countries, the growth momentum for the emerging economies in Asia has slowed down. Based on the expectation of a moderate drop in its economic growth, the People's Republic of China (the "PRC", and for the purpose of this report, does not include Hong Kong, Macau and Taiwan), will focus on suppressing its inflation, intensify adjustment of its economic structure and the deepening of its economic reform. The macroeconomic policy in 2012 is not expected to have significant adjustment and the implementation of a proactive fiscal policy and a stable monetary policy is expected to continue. In 2012, the PRC economy will seek progress while ensuring stability for stable growth and our Group will also seek progress while ensuring stability for intensification of core value and grasping new business opportunity.

The Group always upholds a prudent philosophy of governance, insisted on sticking to a prudent risk management policy for seeking core business return and actively explore new business opportunities by deployment of development carefully. In the year of 2011, every core business started with a good business momentum.

For finance leasing, funds flow in the PRC was still controlled to a certain extent in 2011 which induce market demand for the finance leasing business. Internal management reform and optimized management procedures enable the Group to actively capturing market opportunities to promote industrial specialization and leasing professionalism which resulted in a stable growth in the Group's finance leasing business. Looking to the future, the finance leasing division will focus on market development to fully utilize the finance lease arrangement, improve efficiency in the use of own funds, expand the scope and flexibility in the application of finance leasing so as to promote leasing service efficiency and enlarge its business scale. At the same time, the management will continue to monitor credit risks cautiously in order to ensure sustainable healthy development of this business.

For assets management, with the prerequisite of prudent risk control, the Group had carry out multi-channel financial management realizing hedge of inflation and appreciation of the funds under the current low interest rate environment. At the same time, the Group actively expanded its assets management business and turning the assets management segment into profit in the year of 2011. Facing the era where there is a slow down in the global economic recovery and high inflation, market demand for assets management is significant. Also, the 12th five-year plan of the

PRC stressed on exploring new scientific development through conversion of approach. Policy had been implemented in the PRC for supporting growth of potential industrial investment. We will grasp the opportunities to explore potential industrial development. The Group will capture the market opportunities proactively to line up market investment demand and industrial development opportunity for broadening related business and business opportunity in order to harness the financial and market rewards.

For property management, the Group proactively improves the conditions of its properties so as to increase the occupancy rates and rental levels, and promote changes from the traditional rental management operation to property operation. Grasping the strong rally of the Hong Kong property market timely, the Group disposed certain of its investment properties in Hong Kong (including residential properties, commercial unit and industrial units) which realized capital gain into cash flow and provide rooms to optimize the investment property portfolio. The Group will continue to monitor the changes in the property market and will look for potential investment projects.

During the year, benefited from the disposal of certain assets, share of profits from the Group's associated company - Global Digital Creations Holdings Limited ("GDC") recorded a significant growth. The management expects GDC will continue to generate a rewarding return to the Group.

Looking ahead, to avoid economic recession, those advanced economies in Europe and in the United States are expected to focus on restoring public confidence on public budgets and the long-term sustainability of their financial systems. In the PRC, it is expected to continue to implement a proactive fiscal policy and a stable monetary policy based on the expectation of a moderate drop in economic growth. Although the 2012 global economic outlook remains uncertain, we are ready to meet the market changes that may appear, implementing timely measures to fine tune our development direction and optimizing the Group's financial services industry structure so as to continuing to enhance shareholders value and maintain sustainable growth.

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers, and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all directors, management and staff for their hard work and dedication throughout the year.

Li Shaofeng
Chairman

Hong Kong, 22 March 2012

FINANCIAL OVERVIEW

The Group recorded profit attributable to owners of the Company of approximately HK$113,381,000 for the year ended 31 December 2011, represented an increase of approximately 3 times when compared with profits attributable to owners of the Company of approximately HK$29,848,000 for the year ended 31 December 2010. The increase was mainly attributable to profits on disposal of certain investment properties by the property leasing and building management services segment and share of profits from an associated company.

Revenue of the Group for the year ended 31 December 2011 was approximately HK$67,505,000, when compared with that of approximately HK$57,147,000 for the year of 2010, represented an increase of approximately 18%. The increase was mainly attributable to an increase in assets management income by approximately HK$5,619,000 and an increase in finance lease income by approximately HK$4,045,000, respectively, over that of the same period last year.

Cost of sales for the year ended 31 December 2011 amounted to approximately HK$44,012,000, represented an increase of approximately 39%. The increase was mainly attributed by finance leasing segment and assets management segment in line with the increase in income.

The Group made a gross profit of approximately HK$23,493,000 for the year ended 31 December 2011, representing a gross profit margin of approximately 35%. Comparing with the gross profit margin of approximately 45% for the year ended 31 December 2010, the decrease was mainly attributable to the impact on the base of comparison from once-off penalty charge received from finance leasing customers during the year of 2010.

Other income for the year ended 31 December 2011 amounted to approximately HK$5,487,000 (2010: HK$2,590,000), representing an increase of approximately 112%. The increase was mainly due to increase in interest income.

Administrative expenses for the year ended 31 December 2011 amounted to approximately HK$48,425,000 (2010: HK$37,695,000), representing an increase of approximately 28%. The increase was mainly due to the increase in compliance and professional service fee associated for the development of the finance leasing business.

FINANCIAL OVERVIEW (continued)

For the year ended 31 December 2011, share of profits from associated companies amounted to HK$166,521,000 (2010: loss of HK$16,388,000) and impairment loss on interests in an associate amounted to HK$66,994,000 (2010: Nil).

Basic earnings per share for the year ended 31 December 2011 was HK9.84 cents (2010: HK2.59 cents).

BUSINESS REVIEW AND OUTLOOK

Property Investment and Management

During the year, revenue from the property leasing and building management services segment increased by 12% to approximately HK$6,491,000 (2010: HK$5,797,000), while the segment result recorded a profit of approximately HK$69,120,000 (2010: HK$42,888,000). The increase in revenue from the property leasing and building management services segment was mainly attributed to certain maintenance and refurbishment work carried out on the investment properties which enhanced the rental value of such properties and promoted occupancy rate. The significant growth in the results of this segment was a result of the Hong Kong property market boom, the Group recorded an increase in fair value of the Group's investment properties of approximately HK$65,055,000 (2010: fair value increase of HK$38,140,000) during the year, which included gain on disposal of certain investment properties amounting to approximately HK$4,455,000 recorded during the year.

Capturing market opportunities, the Group disposed certain of its investment properties during the year (including residential, commercial and industrial units) so as to adjust the combination and quality of the investment properties portfolio. The Group will continue to monitor market changes and seek investment opportunities. With the sale of the bulk of the Group's properties in the year of 2012, the expected income from the property leasing and building management services segment in 2012 would greatly decrease. The Group expected to receive stable cash flow from rental income and expected that the investment properties would continue to contribute stable cash return to the Group in the foreseeable future.

BUSINESS REVIEW AND OUTLOOK (continued)

Finance Leasing

During the year, revenue from the finance leasing segment increased by approximately 8% to HK$55,395,000 (2010: HK$51,350,000), while the segment result recorded a profit of approximately HK$190,000 (2010: loss of HK$1,405,000). The increase in revenue from the finance leasing segment was mainly attributed to the increase in interest-bearing finance lease balances resulted from the new finance lease projects carried out during the year. The segmental results recorded profit was mainly attributed to the reduction in provision for doubtful debts made for finance lease receivables.

The Group adhered to prudent risk management policy, with the finance leasing segment continuously carrying out rigorous and regular review of its credit risk over all the existing and new finance leasing clients. During the year, provision for doubtful debts amounting to approximately HK$8,225,000 (2010: HK$21,201,000) was made towards receivables for a particular finance lease. Excluding this particular lease, over 99% of the clients (calculated based on the finance lease receivables as at the year-end date) from the finance leasing segment paid on time according to the agreed repayment schedules. The Group will continue to adopt a careful and prudent credit risk management strategy and endeavor to exercise its best efforts in the recovery of impaired receivables.

In response to the tightening of credit policies in the PRC and the changing international economic environment, the finance leasing segment adopted a prudent business development strategy. The Group proactively responded to intensifying market competition by refining industrial classification and exploring different financing methods to lower its finance costs and enhance finance leasing project yield. The Group will look for continuous and steady business expansion based on an effective risk control of its finance lease operation.

Assets Management

During the year, the assets management segment recorded revenue of approximately HK$5,619,000 (2010: Nil), while the segment results recorded a profit of approximately HK$189,000 (2010: loss of HK$647,000). The assets management segment achieved break-even and the turning into profit was attributable to stable income generated from brand management service started by the assets management segment during the year.

With the in-depth understanding of PRC economies, industries and cultures together with the well-established global investment relationship connection, assets management segment dedicated for grasping current investment opportunities and market development so as to acquire stable risk-adjusted returns. Assets management segment's investment mainly focus on industry sectors which are positioned to benefit from the strong economic growth in PRC.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

The Group aimed to maintain stable funding sources and financing is arranged to match business characteristics and cash flows. The financial leverage of the Group as at 31 December 2011 as compared to 31 December 2010 is summarized below:

HK$'000	**31 December 2011**	31 December 2010
Total borrowings		
Current borrowings	**414,350**	333,803
Non-current borrowings	**248,322**	295,691
sub-total	**662,672**	629,494
Total cash		
Bank balances and cash	**291,868**	308,337
Structured deposits	**13,580**	–
Restricted bank deposits	**25,926**	10,619
sub-total	**331,374**	318,956
Net borrowings	**331,298**	310,538
Total equity	**834,651**	704,411
Total assets	**1,571,397**	1,373,460
Financial leverage		
Net debt to total equity	**40%**	44%
Net debt to total assets	**21%**	23%
Current ratio	**173%**	150%

As at 31 December 2011, the Group had bank balances and cash of approximately HK$291,868,000 (31 December 2010: HK$308,337,000), structured deposits of approximately HK$13,580,000 (2010: Nil) and restricted bank deposits of approximately HK$25,926,000 (31 December 2010: HK$10,619,000) which were mainly denominated in Hong Kong dollars and Renminbi. The increase was mainly from net new borrowings raised of approximately HK$9,454,000, net proceeds from disposal of partial interests in an associate of approximately HK$24,002,000, net proceeds from disposal of investment properties of approximately HK$48,845,000 and netting off with net cash outflow from operating activities of approximately HK$71,462,000.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES (continued)

As at 31 December 2011, the Group's borrowings amounted to approximately HK$662,672,000, of which approximately HK$414,350,000 were repayable within twelve months from 31 December 2011 and approximately HK$248,322,000 were repayable after twelve months from 31 December 2011. During the year, the Group obtained new bank borrowings of approximately HK$267,116,000, which were applied for the finance leasing business. All loans bore interest at market rates.

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to approximately HK$833,923,000 as at 31 December 2011 (31 December 2010: HK$703,750,000). The increase was mainly due to profit attributable to owners of the Company of approximately HK$113,381,000 for the year ended 31 December 2011. The Company did not issue any new shares during the year under review. The issued share capital of the Company was approximately HK$11,522,000 (represented by approximately 1,152 million ordinary shares).

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

Other than the disposal of a partial interest in an associate as disclosed in Note 12 to the consolidated financial statement, the Group had no material acquisitions, disposals and significant investment during the year ended 31 December 2011.

CHARGE ON ASSETS

As at 31 December 2011, the Group has the following charge on assets:

i) The Group's investment properties with an aggregate carrying value of approximately HK$74,800,000 were pledged to banks to secure for bank borrowings with an outstanding amount of approximately HK$31,757,000.

ii) The Group's assets classified as held for sale with an aggregate carrying value of approximately HK$132,000,000 were pledged to banks to secure for bank borrowings with an outstanding amount of approximately HK$92,000,000.

iii) The Group's finance lease receivables with a carrying value of approximately HK$536,731,000 were pledged to banks to secure for bank borrowings with outstanding amount of approximately HK$538,915,000.

iv) There were new bank deposits of approximately HK$25,926,000 restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings of approximately HK$139,165,000.

FOREIGN EXCHANGE EXPOSURE

The normal operations and investments of the Group are mainly in Hong Kong and the PRC, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 31 December 2011, the Group has no significant exposure under foreign exchange.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2011.

EMPLOYEES

As at 31 December 2011, the Group employed 41 (31 December 2010: 40) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employee share option scheme are also available to employee of the Group. Remuneration packages are reviewed either annually or by special increment.

During the year ended 31 December 2011, the Company and its subsidiaries have not paid or committed to pay any amount as an inducement to join or upon joining the Company and/or its subsidiaries to any individual.

The Company is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the financial year ended 31 December 2011, except for the following deviation:

- Under the second part of code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

  In order to comply with the applicable laws of Bermuda, the Chairman and the Managing Director are not subject to retirement by rotation under the bye-laws of the Company (the "Bye-laws"). However, they will voluntarily retire and offer themselves for re-election at least once every three years in order to comply with the second part of code provision A.4.2 of the Code.

BOARD OF DIRECTORS

Composition

The Board currently comprises four Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" of this annual report.

The Board includes a balanced composition of Executive and Non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Non-executive Directors are of sufficient calibre and number for their views to carry weight. The functions of Non-executive Directors include, but not limited to:

- bringing an independent judgement at Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on Board committees if invited; and
- scrutinising the Company's performance.

BOARD OF DIRECTORS (continued)

Composition (continued)

The Board members have no financial, business, family or other material/relevant relationships with each other.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Directors' Biographies" of this annual report.

Composition of the Board, including names of Independent Non-executive Directors of the Company, is disclosed in all corporate communications to shareholders.

Role and function

The Board is responsible for overall strategic formulation and performance monitoring of the Company and its subsidiaries (the "Group"). It delegates day-to-day operations of the Company to the Executive Committee and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of these committees are set out in this report.

Board meetings

The Board has four scheduled meetings a year at approximately quarterly intervals. Additional meetings would be arranged, if and when required. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Bye-laws.

The Company Secretary assists the Chairman in drawing the agenda of each meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14 days' notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in such form and quality as will enable the Board to make an informed decision on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and all applicable rules and regulations are followed.

BOARD OF DIRECTORS (continued)

Board meetings (continued)

The Company Secretary is responsible for taking minutes of Board and Board committee meetings, drafts and final versions of which would be sent to Directors for comments and records respectively, in both cases within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of Board and Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, a Board meeting will be held instead of by way of circulation.

Attendance records

During the financial year ended 31 December 2011, the Directors have made active contribution to the affairs of the Group and four Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the interim results and annual results of the Group.

Details of Directors' attendance records in 2011 are as follows:

	Meetings attended/Eligible to attend
Chairman	
Li Shaofeng	4/4
Executive Directors	
Luo Zhenyu	4/4
Wang Tian	4/4
Yuan Wenxin	4/4
Chen Zheng *(resigned on 27 August 2011)*	2/3
Non-executive Director	
Leung Shun Sang, Tony	4/4
Independent Non-executive Directors	
Tam King Ching, Kenny	4/4
Zhou Jianhong	4/4
Yip Kin Man, Raymond	4/4

BOARD OF DIRECTORS (continued)

Access to information

The Directors may seek independent professional advice in appropriate circumstances, at the Company's expenses. The Company will, upon request, provide separate independent professional advice to Directors to assist the relevant Directors to discharge their duties to the Company.

The Board is supplied with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational and financial performance of the Group before each Board meeting. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Appointment and re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will review the profiles of the candidates and make recommendations to the Board on the appointment, re-nomination and retirement of Directors.

According to the Bye-laws, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every Director (including Non-executive Director) is appointed for a specific term and is, except for the Chairman and the Managing Director, subject to retirement by rotation at least once every three years.

Every newly appointed Director will be given an introduction of regulatory requirements. The Directors are continually updated on the latest development of the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practice.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three Independent Non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each of its Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent.

BOARD OF DIRECTORS (continued)

Directors' and officers' liability

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate and are not performed by the same individual to reinforce their independence and accountability. Mr. Li Shaofeng assumes the role of the Chairman and Mr. Luo Zhenyu serves as the Managing Director of the Company. The Chairman provides leadership for the Board. The Managing Director has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

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

BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

Executive Committee

An Executive Committee of the Board was established in September 2005 and comprises all Executive Directors of the Company.

The members of the Executive Committee during the year were as follows:

- Li Shaofeng *(Chairman)*
- Luo Zhenyu
- Wang Tian
- Yuan Wenxin
- Chen Zheng *(ceased to act as a member from 27 August 2011)*

The Executive Committee has been conferred with the general powers of the Board (except those matters specifically reserved for the Board) to manage and oversee the operations of the Group. During the year, three meetings of the Executive Committee were held.

BOARD COMMITTEES (continued)

Audit Committee

An Audit Committee of the Board has been established with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Audit Committee are available on request and are posted on the Company's website.

The principal duties of the Audit Committee include, among other things:

- overseeing the relationship with the Company's auditor;
- reviewing the interim and annual financial statements; and
- reviewing the Company's financial reporting system and internal control procedures.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice if it considers necessary. It is given access to and assistance from the employees and reasonable resources to discharge its duties properly.

The Audit Committee comprises three Independent Non-executive Directors of the Company. None of the members of the Audit Committee are former partners of the auditor of the Company. The members of the Audit Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Tam King Ching, Kenny *(Chairman)*	2/2
Zhou Jianhong	2/2
Yip Kin Man, Raymond	2/2

During the year, two meetings of the Audit Committee were held for, amongst other things:

- reviewing the final results of the Group for the financial year ended 31 December 2010; and
- reviewing the interim results of the Group for the six months ended 30 June 2011.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

BOARD COMMITTEES (continued)

Nomination Committee

A Nomination Committee of the Board was established in September 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee are available on request and are posted on the Company's website.

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board;
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors; and
- assessing the independence of Independent Non-executive Directors.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice if it considers necessary.

The members of the Nomination Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Li Shaofeng *(Chairman)*	1/1
Leung Shun Sang, Tony *(Vice Chairman)*	1/1
Tam King Ching, Kenny	1/1
Zhou Jianhong	1/1
Yip Kin Man, Raymond	1/1

The Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

During the year, one meeting of the Nomination Committee was held for reviewing the structure of the Board.

BOARD COMMITTEES (continued)

Remuneration Committee

A Remuneration Committee of the Board was established in September 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee are available on request and are posted on the Company's website.

The principal duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;

- reviewing and approving performance-based remuneration;

- determining the specific remuneration packages of all Executive Directors and senior management and making recommendation to the Board of the remuneration of Non-executive Directors;

- reviewing and approving the compensation payable to Executive Directors and senior management and the compensation arrangements relating to dismissal or removal of Directors for misconduct; and

- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

The Remuneration Committee may consult the Chairman about their proposals relating to the remuneration of other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice if it considers necessary.

The remuneration policies for the Company as well as the Directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The members of the Remuneration Committee during the year and their attendance were as follows:

	Meetings attended/Eligible to attend
Leung Shun Sang, Tony *(Chairman)*	2/2
Li Shaofeng *(Vice Chairman)*	2/2
Tam King Ching, Kenny	2/2
Zhou Jianhong	2/2
Yip Kin Man, Raymond	2/2

The Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

During the year, two meetings of the Remuneration Committee were held for, amongst other things:

- considering and reviewing the remuneration of the Executive Directors of the Company for the year 2012;
- determining the bonuses of the Executive Directors of the Company for the year 2011; and
- making recommendations to the Board on the directors' fee of the Non-executive Directors of the Company for the year 2012.

INTERNAL CONTROL

The Board is of the opinion that sound internal control systems will contribute to the effectiveness and efficiency of operations of the Group and to the safeguard of the Group's assets as well as the shareholders' investment.

The Board is responsible for overall ensuring, maintaining and overseeing the internal control systems of the Group. The Executive Committee helps the Board to discharge its responsibilities of ensuring and maintaining sound internal control functions by continuously reviewing and monitoring the internal control systems and processes so as to ensure that they can provide reasonable assurance against material errors of the Group.

INTERNAL CONTROL (continued)

The internal control system is embedded within the business processes so that it functions as an integral part of the overall operations of the Group. The system comprises a comprehensive organization structure with assignment of definite accountabilities and delegation of the corresponding authorities to each post. Based on the organization structure, a reporting system has been developed which includes a reporting system from division head of each principal business unit to the Executive Committee.

Business plan and budget are prepared by the division head of each principal business unit annually. In preparing the business plans and budgets, the management identifies and evaluates any potential risks. Measures will be put in place with an aim to ultimately manage, control or lessen such risks.

The business plans and budgets are subject to review and approval by the Executive Committee. The Executive Committee reviews monthly management report on the operational and financial results of each principal business unit and measures the actual performance of the Group against the business plan and budget concerned. In this course, the Executive Committee also reviews and assesses the effectiveness of all material controls, and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes. The Executive Committee holds periodical meetings with the senior management of each principal business unit to, amongst other matters, address the issues in such controls, identify areas of improvement and put the appropriate measures in place.

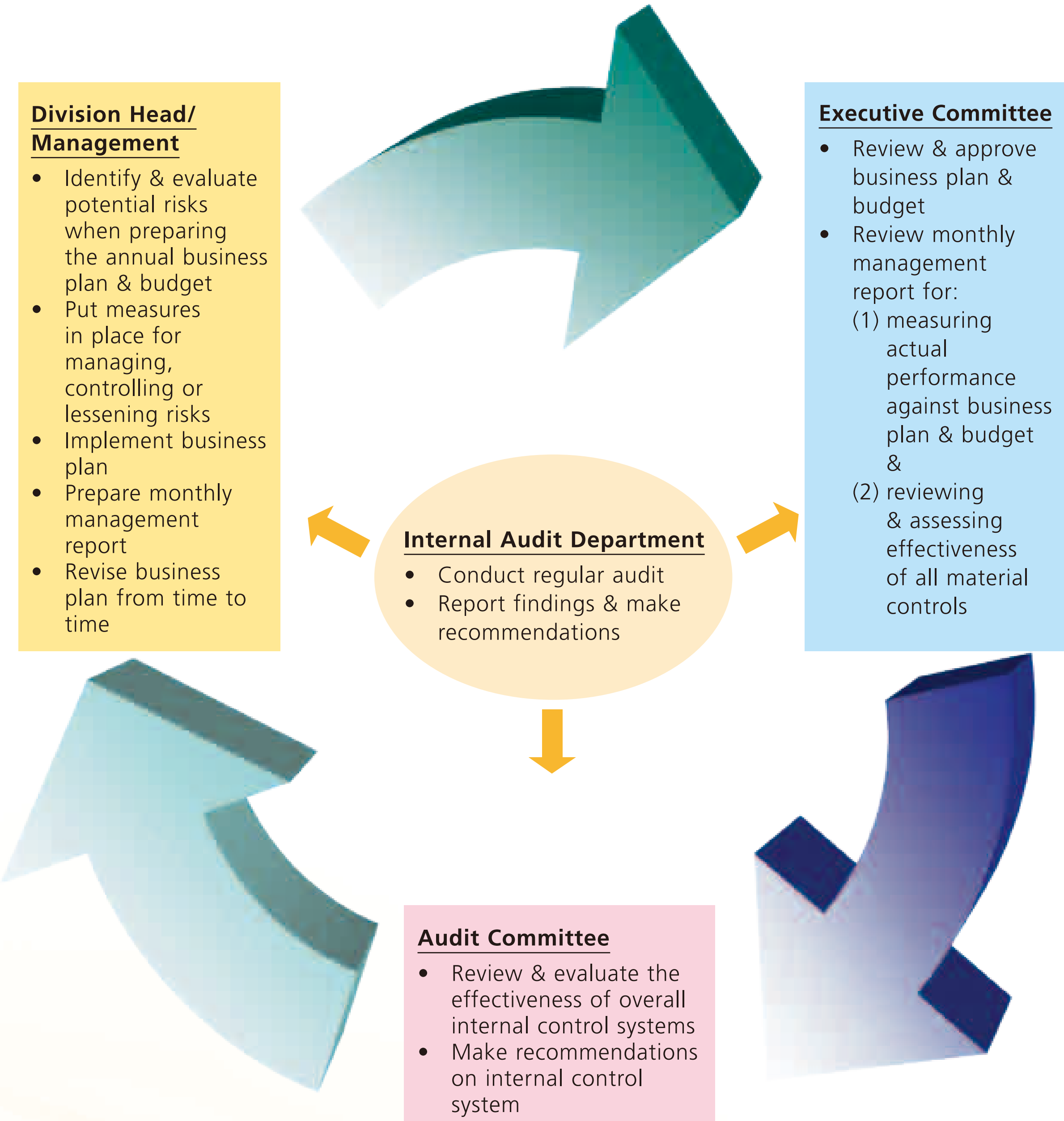
The internal control system is documented and if any revision is required, such information will be submitted to the Audit Committee for evaluation.

The Audit Committee assists the Board to fulfill its oversight role over the Group's internal control function by reviewing and evaluating the effectiveness of the overall internal control systems, including financial, operational and compliance controls as well as risk management.

The Company set up an Internal Audit Department in February 2006 which assists the Board and the Audit Committee to discharge their duties in internal control aspect. The Internal Audit Department, which is independent to the operational departments of the Group, is responsible for conducting regular audits on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls as well as risk management, are in place and functioning effectively. The Internal Audit Department reports to the Board and the Audit Committee with its findings and makes recommendations to improve the internal control systems of the Group.

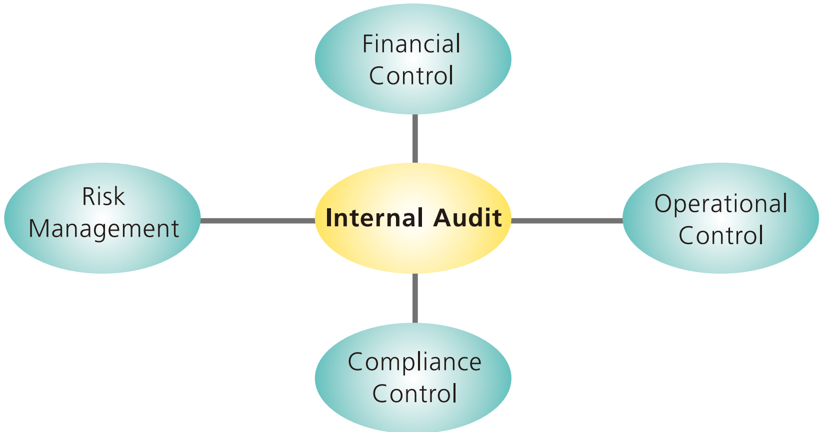
INTERNAL CONTROL (continued)

Internal control system



INTERNAL CONTROL (continued)

Internal audit functions



The Board considers that it is an ongoing and continuous process for the Group to review and improve its internal control systems in order to ensure that they can meet with the dynamic and ever changing business environment. During the year under review, the Board has been, through the Executive Committee and the Audit Committee (with the assistance from the Internal Audit Department), continuously reviewing the effectiveness of the Group's internal control systems. Each of the division heads of the Group has submitted a Representation Letter to the Audit Committee, in which he/she made representations as to the compliance by himself/herself and his/her subordinates with key internal control systems for the year ended 31 December 2011. The requirement for making Representation Letters by the key management can strengthen individual responsibility for corporate governance and controls.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2011.

Employees who are deemed to be in possession of unpublished price sensitive information in relation to the Company or its shares are required to prohibit from dealing in shares of the Company during the black-out period.

AUDITOR'S REMUNERATION

During the year, the remuneration paid to the Company's auditor, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	**Fee paid/payable**
	HK$'000
Statutory audit services	848
Non-statutory audit services:	
Review on interim financial report	315
	1,163

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the interim and annual financial statements, announcements and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

The statement of the auditor of the Company, Deloitte Touche Tohmatsu, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 47 to 48 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with the shareholders, the Company provides extensive information in its annual and interim reports and announcements. All shareholders' communications are also available on the Company's website at www.shougang-grand.com.hk.

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent Board committee will also make an effort to attend to address shareholders' queries. The Chairman of the Board attended the annual general meeting of the Company held during the year.

During the year, all notices of general meetings despatched by the Company to its shareholders for meetings held were sent in the case of annual general meeting at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings. Separate resolutions were proposed at general meetings on each substantially separate issue, including the election of individual Directors, and all resolutions put to the vote of a general meeting were taken by way of a poll. At the commencement of a general meeting, the chairman of the meeting explained the procedures for conducting a poll and answered questions from shareholders regarding voting by way of a poll, if any. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

The Directors herein present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and associates are set out in notes 44 and 22 to the consolidated financial statements respectively.

RESULTS

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 49 to 146 of this annual report.

The Board of Directors of the Company does not recommend the payment of any dividend in respect of the year (2010: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on pages 149 to 150 of this annual report.

INVESTMENT PROPERTIES

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

Particulars of the major investment properties of the Group as at the end of the reporting period are set out on pages 147 to 148 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

Particulars of the major properties of the Group as at the end of the reporting period are set out on page 148 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 37 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 53 to 54 of this annual report.

DONATIONS

No charitable donation was made by the Group during the year (2010: Nil).

DIRECTORS

The Directors of the Company during the year were as follows:

Li Shaofeng	
Luo Zhenyu	
Wang Tian	
Yuan Wenxin	
Leung Shun Sang, Tony	
Tam King Ching, Kenny*	
Zhou Jianhong*	
Yip Kin Man, Raymond*	
Chen Zheng	*(resigned on 27 August 2011)*

* *Independent Non-executive Directors*

In accordance with clause 99 of the Company's bye-laws, Mr. Wang Tian, Ms. Zhou Jianhong and Mr. Yip Kin Man, Raymond will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office at 31 December 2011 had the following interests in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 31 December 2011 as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(a) Long positions in the shares and underlying shares of the Company

		Number of shares/underlying shares in the Company			
Name of Director	**Capacity in which interests were held**	**Interests in shares**	**Interests in underlying shares***	**Total interests**	**Total interests as to % of the issued share capital of the Company as at 31.12.2011**
Li Shaofeng	Beneficial owner	–	11,000,000	11,000,000	0.95%
Luo Zhenyu	Beneficial owner	–	9,000,000	9,000,000	0.78%
Wang Tian	Beneficial owner	4,000,000	11,094,000	15,094,000	1.31%
Yuan Wenxin	Beneficial owner	4,000,000	15,094,000	19,094,000	1.65%
Leung Shun Sang, Tony	Beneficial owner	8,278,000	19,368,679	27,646,679	2.39%
Tam King Ching, Kenny	Beneficial owner	–	2,286,000	2,286,000	0.19%
Zhou Jianhong	Beneficial owner	–	2,286,000	2,286,000	0.19%
Yip Kin Man, Raymond	Beneficial owner	–	2,286,000	2,286,000	0.19%

* *The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "Scheme"). Upon exercise of the share options in accordance with the Scheme, ordinary shares of HK$0.01 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Option Scheme" below.*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(b) Long positions in the shares and underlying shares of Global Digital Creations Holdings Limited ("GDC"), an associated corporation of the Company

		Number of shares/underlying shares in GDC			Total interests as to % of the issued share
Name of Director	Capacity in which interests were held	Interests in shares	Interests in underlying shares*	Total interests	capital of GDC as at 31.12.2011
Li Shaofeng	Beneficial owner	–	12,950,000	12,950,000	0.85%
Wang Tian	Beneficial owner	820	–	820	0.00%
Leung Shun Sang, Tony	Beneficial owner	30,008,200	11,370,000	41,378,200	2.72%
Zhou Jianhong	Beneficial owner	400,410	–	400,410	0.02%

* *The relevant interests are unlisted physically settled options granted pursuant to GDC's share option scheme adopted on 18 July 2003 (the "GDC Scheme"). Upon exercise of the share options in accordance with the GDC Scheme, ordinary shares of HK$0.01 each in the share capital of GDC are issuable. The share options are personal to the respective Directors.*

Save as disclosed above, as at 31 December 2011, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their respective spouses or children under 18 years of age 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 or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, the following Director has declared interests in the following business (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which is considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group during the year:

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Li Shaofeng	Shougang Holding (Hong Kong) Limited# ("Shougang Holding")	Property investment	Director

\# *Such business may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.*

The Board of the Company is independent from the board of the above-mentioned entity and is accountable to the Company's shareholders. Coupled with the diligence of its Independent Non-executive Directors whose views carry significant weight in the Board's decisions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of the entity.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2011, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares	Interests as to % of the issued share capital of the Company as at 31.12.2011	*Note(s)*
Shougang Holding	Interests of controlled corporations	430,491,315	37.36%	*1*
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	430,491,315	37.36%	*1*
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	133,048,717	11.54%	*2, 3*
Max Same Investment Limited ("Max Same")	Beneficial owner	91,491,193	7.94%	*2*
Li Ka-shing	Interests of controlled corporations, founder of discretionary trusts	133,048,717	11.54%	*3*
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	133,048,717	11.54%	*3*
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	133,048,717	11.54%	*3*
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	133,048,717	11.54%	*3*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Long positions in the shares of the Company (continued)

Notes:

1. Shougang Holding indicated in its disclosure form dated 18 February 2010 (being the latest disclosure form filed up to 31 December 2011) that as at 12 February 2010, its interest was the shares of the Company held by Wheeling, a wholly-owned subsidiary of Shougang Holding.

2. Cheung Kong indicated in its disclosure form dated 26 February 2005 (being the latest disclosure form filed up to 31 December 2011) that as at 23 February 2005, its interests included the interest held by Max Same, a wholly-owned subsidiary of Cheung Kong.

3. Li Ka-Shing Unity Holdings Limited ("Unity Holdco"), of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard was interested in one-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong.

   In addition, Unity Holdco also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 held units in UT1.

   By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1 and TDT2 was deemed to be interested in the same block of shares in which Cheung Kong was interested under the SFO.

Save as disclosed above, as at 31 December 2011, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

SHARE OPTION SCHEME

On 7 June 2002, the Scheme which complies with the requirements of Chapter 17 of the Listing Rules was adopted by the shareholders of the Company.

The purpose of the Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contributions to the Company and/or its subsidiaries and/or its associated companies. The Scheme will remain in force for a period of 10 years commencing on 7 June 2002, being the date of adoption of the Scheme, to 6 June 2012.

Under the Scheme, the Directors may, at their discretion, offer directors (including executive and non-executive directors), executives, officers, employees or shareholders of the Company or any of its subsidiaries or any of its associated companies, and any suppliers, customers, consultants, advisers, agents, partners or business associates who, in the sole discretion of the Directors, will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company.

The total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the Scheme is 137,238,679 which represents approximately 11.91% of the issued share capital of the Company as at the date of this annual report. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the Scheme is 83,619,246, representing approximately 7.26% of the issued share capital of the Company as at the date of this annual report. The total number of shares of the Company issued and to be issued upon the exercise of share options granted under the Scheme (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5,000,000 (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, are subject to shareholders' approval in advance in a general meeting. Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors.

SHARE OPTION SCHEME (continued)

The period during which a share option may be exercised will be determined by the Directors at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Directors are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

The exercise price in relation to each share option will be determined by the Directors at their absolute discretion and shall not be less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of the share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the Scheme. The offer of share options must be accepted within 60 days from the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at general meetings.

SHARE OPTION SCHEME (continued)

No share option was granted, exercised or cancelled in accordance with the terms of the Scheme during the year. Details of movements in the share options under the Scheme during the year are as follows:

	Options to subscribe for shares of the Company							
Category or name of grantees	At the beginning of the year	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company								
Li Shaofeng	11,000,000	–	–	–	11,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540
Luo Zhenyu	9,000,000	–	–	–	9,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540
Chen Zheng	11,368,000	(11,368,000)[1]	–	–	–	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	7,000,000	(7,000,000)[1]	–	–	–	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	18,368,000	(18,368,000)	–	–	–			
Wang Tian	5,094,000	–	–	–	5,094,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	6,000,000	–	–	–	6,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	11,094,000	–	–	–	11,094,000			
Yuan Wenxin	9,094,000	–	–	–	9,094,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	6,000,000	–	–	–	6,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	15,094,000	–	–	–	15,094,000			
Leung Shun Sang, Tony	75	–	–	–	75	23.08.2002	23.08.2002 – 06.06.2012	HK$0.730
	604	–	–	–	604	06.03.2003	06.03.2003 – 05.03.2013	HK$0.760
	11,368,000	–	–	–	11,368,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	8,000,000	–	–	–	8,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	19,368,679	–	–	–	19,368,679			

SHARE OPTION SCHEME (continued)

Category or name of grantees	Options to subscribe for shares of the Company: At the beginning of the year	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company (continued)								
Tam King Ching, Kenny	1,136,000	–	–	–	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	1,150,000	–	–	–	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	2,286,000	–	–	–	2,286,000			
Zhou Jianhong	1,136,000	–	–	–	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	1,150,000	–	–	–	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	2,286,000	–	–	–	2,286,000			
Yip Kin Man, Raymond	1,136,000	–	–	–	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	1,150,000	–	–	–	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	2,286,000	–	–	–	2,286,000			
	90,782,679	(18,368,000)	–	–	72,414,679			
Employees of the Group	3,700,000	–	–	–	3,700,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	10,920,000	–	–	(3,000,000)[2]	7,920,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540
	14,620,000	–	–	(3,000,000)	11,620,000			
Other participants	1,330,000	–	–	–	1,330,000[3]	06.03.2003	06.03.2003 – 31.12.2011	HK$0.760
	22,736,000	–	11,368,000[1]	–	34,104,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	11,500,000	–	7,000,000[1]	–	18,500,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	600,000	–	–	–	600,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540
	36,166,000	–	18,368,000	–	54,534,000			
	141,568,679	(18,368,000)	18,368,000	(3,000,000)	138,568,679			

SHARE OPTION SCHEME (continued)

Notes:

1. Mr. Chen Zheng resigned as a Director of the Company on 27 August 2011. The Board approved the extension of the exercise periods for his share options up to 18 January 2017 and 21 January 2018 respectively. Such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the year.

2. The share options were held by a grantee who ceased to be an employee of the Group on 1 August 2011 and such share options lapsed on 1 September 2011 according to the terms of the Scheme.

3. Subsequent to the year end date, such share options lapsed on 1 January 2012, being the date of expiry of the relevant option period.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTION RESERVES

At the end of the reporting period, the Company had distributable reserves of approximately HK$104,633,230.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 58% of the total sales for the year and the largest customer included therein amounted to approximately 18%. Purchases from the Group's five largest suppliers accounted for approximately 82% of the cost of sales for the year and the largest supplier included therein amounted to approximately 23%. None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers and suppliers.

CONNECTED TRANSACTIONS

During the year and up to the date of this annual report, the Group had no connected transaction that was subject to the disclosure requirements under the Listing Rules.

As far as the transactions took place during the year as set out in note 43(a) to the consolidated financial statements under the heading of "Related Party Transactions" are concerned, the transactions were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

The transactions set out in note 43(b) to the consolidated financial statements under the heading of "Related Party Transactions" did not constitute connected transactions under the Listing Rules.

As far as the transactions set out in note 43(c) to the consolidated financial statements under the heading of "Related Party Transactions" are concerned, the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Group and the securities issued and to be issued upon exercise of options granted to the Directors under the share option scheme of the Company were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

Under the facility agreement dated 8 November 2010 (the "Facility Agreement") entered into between China Construction Bank (Asia) Corporation Limited (the "Bank") as lender, SCG Finance Corporation Limited ("SCG Finance"), a wholly-owned subsidiary of the Company, as borrower, and Shougang Holding and the Company as guarantors, in relation to a revolving loan facility in an amount of HK$92,000,000 (the "Facility") made available by the Bank to SCG Finance, each of the following constitutes a covenant and non-compliance with any covenant will constitute an event of default upon which the Facility will, among others, become immediately due and payable: (i) Shougang Holding shall directly or indirectly own 35% or more of all the issued share capital of the Company; (ii) the consolidated tangible net worth of Shougang Holding shall not be less than HK$2 billion; (iii) the total liabilities of Shougang Holding shall not exceed 200% of its consolidated tangible net worth; and (iv) the consolidated EBITDA (including share of results of associates) of Shougang Holding shall not be less than 3 times interest expenses. The final maturity date of the Facility falls on the date being 24 months after the date of the Facility Agreement.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 19 to 32 of this annual report.

AUDITOR

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

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 22 March 2012

Deloitte.
德勤

TO THE SHAREHOLDERS OF SHOUGANG CONCORD GRAND (GROUP) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shougang Concord Grand (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 146, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of 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 section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY (continued)

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Continuing operations			
Revenue	7	**67,505**	57,147
Cost of sales		**(44,012)**	(31,653)
Gross profit		**23,493**	25,494
Interest income from entrusted loan receivables		**12**	307
Other income	9	**5,487**	2,590
Distribution costs and selling expenses		**(2,044)**	(928)
Administrative expenses		**(48,425)**	(37,695)
Impairment loss on finance lease receivables		**(8,225)**	(21,201)
Increase in fair value of investment properties		**65,055**	38,140
Changes in fair value of held-for-trading investments		**(10,441)**	(282)
Finance costs	10	**(2,100)**	(2,649)
Share of results of associates		**166,521**	(16,388)
Impairment loss on interests in an associate	22	**(66,994)**	–
(Loss) gain on disposal of partial interests and dilution of interests in an associate	12	**(6,883)**	1,358
Profit (loss) before tax		**115,456**	(11,254)
Income tax expense	13	**(2,062)**	(4,204)
Profit (loss) for the year from continuing operations	14	**113,394**	(15,458)
Discontinued operations	11		
Profit for the year from discontinued operations		**–**	135,233
Profit for the year		**113,394**	119,775
Other comprehensive income (expense):			
Exchange gain arising on translation of foreign operations		**10,987**	11,954
Share of translation difference of an associate		**9,324**	3,778
Release of translation reserve upon disposal of partial interests in an associate		**(646)**	–
Release of translation reserve on dilution of interests in an associate		**(2,819)**	–
Release of translation reserve upon deemed disposal of subsidiaries		**–**	(10,934)
Release of special reserve upon deemed disposal of subsidiaries		**–**	21,354
		16,846	26,152
Total comprehensive income for the year		**130,240**	145,927

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Profit for the year attributable to:			
Owners of the Company			
– Profit (loss) for the year from continuing operations		**113,381**	(15,421)
– Profit for the year from discontinued operations		**–**	45,269
		113,381	29,848
Non-controlling interests			
– Profit (loss) for the year from continuing operations		**13**	(36)
– Profit for the year from discontinued operations		**–**	89,963
		13	89,927
		113,394	119,775
Total comprehensive income for the year attributable to:			
Owners of the Company		**130,173**	54,325
Non-controlling interests		**67**	91,602
		130,240	145,927
Earnings (loss) per share	16		
From continuing and discontinued operations			
Basic and diluted		**HK9.84 cents**	HK2.59 cents
From continuing operations			
Basic and diluted		**HK9.84 cents**	HK(1.34) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	31.12.2011 HK$'000	31.12.2010 HK$'000
Non-current assets			
Property, plant and equipment	17	**31,677**	30,459
Investment properties	18	**74,800**	190,590
Goodwill	20	**52,935**	52,935
Interests in associates	22	**279,390**	204,888
Finance lease receivables	23	**297,505**	342,228
Restricted bank deposits	27	**25,926**	10,619
Available-for-sale investments	29	**5,185**	4,941
		767,418	836,660
Current assets			
Inventories	25	**2,483**	–
Amount due from an associate	33	**388**	396
Finance lease receivables	23	**311,149**	206,414
Entrusted loan receivables	24	**–**	235
Loan to an associate	34	**9,772**	–
Trade receivables	26	**128**	132
Prepayments, deposits and other receivables	27	**5,723**	6,284
Held-for-trading investments	28	**36,888**	15,002
Structured deposits	30	**13,580**	–
Bank balances and cash	27	**291,868**	308,337
		671,979	536,800
Assets classified as held for sale	19	**132,000**	–
		803,979	536,800
Current liabilities			
Other payables and accruals	31	**17,452**	6,504
Income received in advance	32	**5,947**	4,896
Rental and management fee in advance and other deposits received		**14,274**	1,210
Tax liabilities		**12,056**	10,855
Secured bank borrowings – due within one year	35	**414,350**	333,803
		464,079	357,268
Net current assets		**339,900**	179,532
Total assets less current liabilities		**1,107,318**	1,016,192

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	31.12.2011 HK$'000	31.12.2010 HK$'000
Capital and reserves			
Share capital	37	**11,522**	11,522
Retained earnings		**634,759**	520,794
Other reserves		**187,642**	171,434
Equity attributable to owners of the Company		**833,923**	703,750
Non-controlling interests		**728**	661
Total equity		**834,651**	704,411
Non-current liabilities			
Income received in advance	32	**4,147**	3,520
Secured bank borrowings – due after one year	35	**248,322**	295,691
Security deposits received	23	**18,506**	10,588
Deferred tax liabilities	36	**1,692**	1,982
		272,667	311,781
Total equity and liabilities		**1,107,318**	1,016,192

The consolidated financial statements on pages 49 to 146 were approved and authorised for issue by the Board of Directors on 22 March 2012 and are signed on its behalf by:

Li Shaofeng
DIRECTOR

Luo Zhenyu
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2011

											Non-controlling interests		
	Share capital HK$'000	Share premium HK$'000	Capital contribution reserve HK$'000 *(Note (a))*	Contributed surplus reserve HK$'000 *(Note (b))*	Translation reserve HK$'000	Share options reserve HK$'000	Statutory reserve HK$'000 *(Note (c))*	Special reserve HK$'000 *(Note (d))*	Retained earnings HK$'000	Attributable to owners of the Company HK$'000	Share options reserve of a subsidiary HK$'000	Share of net assets of subsidiaries HK$'000	Total HK$'000
At 1 January 2010	11,514	559	445	115,576	40,834	21,976	2,879	(23,496)	438,708	608,995	33,120	255,257	897,372
Exchange difference on translation of foreign operations	–	–	–	–	10,279	–	–	–	–	10,279	–	1,675	11,954
Share of translation difference of an associate	–	–	–	–	3,778	–	–	–	–	3,778	–	–	3,778
Release upon deemed disposal of subsidiaries	–	–	–	–	(10,934)	–	–	21,354	–	10,420	–	–	10,420
Profit for the year	–	–	–	–	–	–	–	–	29,848	29,848	–	89,927	119,775
Total comprehensive income for the year	–	–	–	–	3,123	–	–	21,354	29,848	54,325	–	91,602	145,927
Exercise of share options	8	448	–	–	–	(128)	–	–	–	328	–	–	328
Partial disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	2,769	2,769
Recognition of equity-settled share-based payment	–	–	–	–	–	7,590	–	–	–	7,590	–	–	7,590
Release upon deemed disposal of subsidiaries	–	–	(445)	–	–	–	(2,879)	–	28,902	25,578	(25,578)	(384,338)	(384,338)
Release upon disposal of subsidiaries	–	–	–	–	(18,194)	–	–	–	18,194	–	–	–	–
Lapse of share options	–	–	–	–	–	(350)	–	–	350	–	–	–	–
Lapse of share options granted by subsidiaries *(Note (e))*	–	–	–	–	–	–	–	–	4,792	4,792	(7,542)	2,750	–
Non-controlling interest arising on acquisition of a subsidiary *(Note 38)*	–	–	–	–	–	–	–	–	–	–	–	27,927	27,927
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	236	236
Difference arising on dilution of interest in a subsidiary *(Note (f))*	–	–	–	–	–	–	–	2,142	–	2,142	–	4,458	6,600
At 31 December 2010 and 1 January 2011	11,522	1,007	–	115,576	25,763	29,088	–	–	520,794	703,750	–	661	704,411
Exchange difference on translation of foreign operations	–	–	–	–	10,933	–	–	–	–	10,933	–	54	10,987
Share of translation difference of an associate	–	–	–	–	9,324	–	–	–	–	9,324	–	–	9,324
Release upon disposal of partial interests in an associate	–	–	–	–	(646)	–	–	–	–	(646)	–	–	(646)
Release upon dilution of interests in an associate	–	–	–	–	(2,819)	–	–	–	–	(2,819)	–	–	(2,819)
Profit for the year	–	–	–	–	–	–	–	–	113,381	113,381	–	13	113,394
Total comprehensive income for the year	–	–	–	–	16,792	–	–	–	113,381	130,173	–	67	130,240
Lapse of share options	–	–	–	–	–	(584)	–	–	584	–	–	–	–
At 31 December 2011	11,522	1,007	–	115,576	42,555	28,504	–	–	634,759	833,923	–	728	834,651

Notes:

(a) Capital contribution reserve represents accumulated effect of imputed interest on amount due to other related party.

(b) The contributed surplus reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation in 1991 over the nominal value of the Company's shares issued in exchange, and the transfers as mentioned in Note (g) below.

(c) As stipulated by the rules and regulations in the People's Republic of China (the "PRC", for the purpose of this report does not include Hong Kong, Macau and Taiwan), the subsidiaries of the Company established in the PRC are required to appropriate 10% of their after-tax profit (after offsetting prior years' losses) to a general reserve fund until the balance of the fund reaches 50% of their registered capital thereafter any further appropriation is optional and is determinable by the companies' boards of directors.

(d) Special reserve as at 1 January 2010 represented the difference between the fair value and the carrying amount of the net assets attributable to the additional interest in a subsidiary acquired by GDC Group (as defined in Note 1) from non-controlling interests during the year ended 31 December 2007. This special reserve was released to profit or loss upon the deemed disposal of GDC (as defined in Note 1) during the year ended 31 December 2010.

(e) During the year ended 31 December 2010, 920,000 share options issued by a subsidiary of the Company lapsed on the expiry of the three-month period following the dates of cessation of the respective employees and 5,423,000 share options issued by a subsidiary of the Company lapsed on the expiry dates of the respective exercise periods of the options.

(f) During the year ended 31 December 2010, the difference arising on dilution of interest in a subsidiary represents the excess of proceeds received from exercise of share options of a subsidiary over the carrying amount of non-controlling interests deemed to be disposed.

(g) A special resolution was passed by shareholders of the Company at the special general meeting of the Company held on 6 June 2008 and completed thereafter that an amount of approximately HK$425,259,000 standing to the credit of the share premium account of the Company as at 31 December 2007 be reduced, with the credit arising there from being transferred to the contributed surplus reserve of the Company. Upon the said transfer becoming effective, an amount of approximately HK$311,818,000 standing to the credit of the contributed surplus reserve of the Company has been applied to eliminate the accumulated losses of the Company as at 31 December 2007. The Company has complied with the requirements of section 46(2) of The Companies Act 1981 of Bermuda (as amended). Details of which were set out in the circular of the Company dated 9 May 2008.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Profit (loss) for the year		
– continuing operations	**113,394**	(15,458)
– discontinued operations	**–**	135,233
Adjustments for:		
Impairment loss on convertible loan receivable	**–**	7,519
Loss (profit) on disposal of partial interests and dilution of interests in an associate	**6,883**	(1,358)
Share-based payment expense	**–**	7,590
Depreciation of property, plant and equipment	**1,340**	13,182
Interest expenses (included in finance costs and cost of sales)	**42,515**	36,557
Allowance for bad and doubtful debts, net	**8,225**	20,182
Share of results of associates	**(166,521)**	16,465
Impairment loss on interests in an associate	**66,994**	–
Amortisation of prepaid lease payments	**–**	119
Loss (gain) on disposal of property, plant and equipment	**8**	(277)
Increase in fair value of investment properties	**(65,055)**	(38,140)
Changes in fair value of held-for-trading investments	**7,534**	41
Interest income	**(4,871)**	(5,755)
Interest income from entrusted loan receivables	**(12)**	(307)
Dividend income from held-for-trading investments	**(285)**	(392)
Gain on disposal of discontinued operations	**–**	(9,899)
Income tax expense	**2,062**	15,036
Operating cash flows before movements in working capital	**12,211**	180,338
Increase in inventories	**(2,483)**	(23,698)
Decrease in production work in progress	**–**	1,563
Increase in amounts due from customers for contract work	**–**	(462)
Decrease (increase) in amount due from an associate	**8**	(396)
Increase (decrease) in security deposits received	**7,395**	(51,704)
(Increase) decrease in finance lease receivables	**(41,144)**	356,590
Decrease (increase) in trade receivables	**4**	(62,045)
Decrease (increase) in prepayments, deposits and other receivables	**624**	(232,770)
(Increase) decrease in held-for-trading investments	**(29,329)**	7,814
Decrease in amounts due to customers for contract work	**–**	(249)
Increase in trade payables	**–**	8,086
Increase in other payables and accruals	**10,815**	35,480
Increase (decrease) in rental and management fee in advance and other deposits received	**13,064**	(38)
Increase in income received in advance	**1,273**	12,074
Cash (used in) generated from operations	**(27,562)**	230,583
Dividend received from held-for-trading investments	**285**	392
Income tax paid	**(1,670)**	(6,732)
Interest paid	**(42,515)**	(36,557)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(71,462)**	187,686

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Purchase of structured deposits		**(13,580)**	(41,169)
Proceeds from disposal of partial interests in an associate		**24,002**	1,993
Purchases of property, plant and equipment		**(1,159)**	(154,331)
Acquisition of a subsidiary	38	**–**	(63,149)
Increase in pledged bank deposits		**–**	(42,005)
Disposal of subsidiaries	11	**–**	9,321
Proceeds from redemption of a convertible loan receivable		**–**	113,016
Withdrawal of restricted bank deposits		**11,143**	48,349
Placement of restricted bank deposits		**(25,926)**	–
Repayment from entrusted loan receivables		**247**	25,955
Interest received		**4,871**	4,109
Interest received from entrusted loan receivables		**12**	307
Proceeds from disposal of property, plant and equipment		**8**	1,859
Purchase of investment properties		**–**	(9,132)
Proceeds from disposal of investment properties		**48,845**	–
Loan to an associate		**(9,772)**	–
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		**38,691**	(104,877)
FINANCING ACTIVITIES			
Repayment of bank loans		**(257,662)**	(372,189)
New bank loans raised		**267,116**	209,647
Proceeds from issue of shares of a subsidiary upon exercise of its share options		**–**	6,600
Proceeds from exercise of share options		**–**	328
Capital contribution from non-controlling interests		**–**	236
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		**9,454**	(155,378)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(23,317)**	(72,569)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**308,337**	372,847
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**6,848**	8,059
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		**291,868**	308,337

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its controlling shareholder, which is defined under the Rules Governing the Listing of Securities on the Stock Exchange as a person who is entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the issuer, is Shougang Holding (Hong Kong) Limited ("Shougang Holding"), a company incorporated in Hong Kong with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in Note 44.

The functional currency of the Company is Renminbi. The consolidated financial statements are presented in Hong Kong dollars for the convenience of the readers.

The principal activities of the Company and its subsidiaries (the "Group") are the property leasing and provision of building management services, finance leasing and assets management. As the Company lost control over Grand Award Limited and its subsidiaries (the "Grand Award Group") upon disposal of the entire share capital of Grand Award Limited and over Global Digital Creations Holdings Limited ("GDC") and its subsidiaries (the "GDC Group") upon allotment and issue of the relevant GDC shares pursuant to the share option scheme of GDC to subscribe for shares in GDC, these operations were classified as discontinued operations during the year ended 31 December 2010 (see Note 11 for details).

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("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

Except as described below, 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.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects:

a) HKAS 24 (as revised in 2009) has changed the definition of a related party. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has not resulted any change in the identification of related parties as compared with previous Standard.

b) In addition, HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities whilst the previous version of HKAS 24 did not contain specific exemption for government-related entities. The Company and its subsidiaries are government-related entities as defined in HKAS 24 (as revised in 2009). Under HKAS 24 (as revised in 2009), the Group has been exempted from making the disclosures required by paragraph 18 of HKAS 24 (as revised in 2009) in relation to related party transactions and outstanding balances (including commitments) with (a) the PRC government that ultimately has control over the Group and (b) other entities that are controlled, jointly controlled, or significantly influenced by the PRC government. Rather, in respect of these transactions and balances, HKAS 24 (as revised in 2009) requires the Group to disclose (a) the nature and amount of each individually significant transaction, and (b) a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no impact on the Group's financial performance and positions for the current and prior years. The related party disclosures in respect of transactions and balances with the government-related entities set out in Note 43 to the consolidated financial statements reflect the application of HKAS 24 (as revised in 2009).

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

New and revised HKFRSs issued but not yet effective

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]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

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. As at 31 December 2011, available-for-sale investments of approximately HK$5,185,000 is measured at cost less impairment.

- 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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

HKFRS 9 Financial Instruments (continued)

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

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

Key requirements of these five standards are described below.

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

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

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

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)

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

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

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

HKFRS 13 Fair Value Measurement

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

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

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

HKFRS 13 Fair Value Measurement (continued)

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements. The Directors are still in the progress of assessing the financial impact.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances. The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The Directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may have significant impact on the amounts of deferred tax liabilities recognised regarding the Group's investment properties. The Directors are still in the process of assessing the financial impact.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 or 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 deficit balance (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group.

When certain assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payments of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 investor 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 associate. 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 and 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 shares of the net fair value of the identifiable assets and 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.

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

Non-current assets held for sale

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Revenue from continuing operations

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 from a financial asset 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 finance lease receivables and other financial assets to that asset's net carrying amount on initial recognition.

Handling fee income from finance leasing business is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from property leasing is recognised on a straight-line basis over the relevant lease terms.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

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

Revenue from discontinued operations

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

- the amount of revenue can be measured reliably;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from discontinued operations (continued)

- it is probable that the economic benefits associated with the transaction will flow to the Group; and

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Distribution income for films and television programme is recognised when the films and/or television programme are delivered to the customers.

Training fee income is recognised over the period of the training course on a straight-line basis. Unearned training fee income received is recorded as income received in advance.

Royalty income from share of box office receipts is recognised when the digital motion pictures are exhibited using the digital cinema equipment sold by the Group and the Group's right to receive payment, which is based on a certain percentage of the relevant box office receipts, has been established.

Receipts from exhibition of digital motion pictures are recognised when the motion pictures are exhibited.

Technical service income and management fee income are recognised when services are provided.

Revenue from provision of assembly and integration services in connection with deployment of digital cinema equipments under Virtual Print Fee Arrangement is recognised when the services have been rendered and the equipments are installed and ready for their intended use.

Deposits received from sale of goods or services to be provided prior to meeting the revenue recognition criteria are included in the consolidated statement of financial position under current liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from discontinued operations (continued)

Contracts for computer graphic ("CG") creation and production

Where the outcome of a contract for CG creation and production can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable to be recovered. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances from customers. Amounts billed for work performed but not yet paid by the customers are included in the consolidated statement of financial position under trade receivables.

Property, plant and equipment

Property, plant and equipment including leasehold land and building held for use in supply of goods or services or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Construction in progress includes property, plant and equipment in the course of construction for production, supply or administrative purposes and is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowings costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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 using the fair value model. Gains or losses arising from changes in fair value of investment property are included in the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

The Group as lessee

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

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 released over the lease term on a straight-line basis. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 its 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 reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities with functional currency other than Hong Kong dollars and foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

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

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

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

Payments to the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such asset and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in the 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 arising on investments in subsidiaries and associates, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax law) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial Assets at fair value through profit or loss

Financial assets at FVTPL represents 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.

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

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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 entrusted loan receivables, trade receivables, other receivables, amount due from an associate, loan to an associate, restricted bank deposits 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 loss of financial assets below).

Available-for-sale financial assets

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss of financial assets below).

Impairment of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For loans and receivables, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables and finance lease 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 credit period given and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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 other payables, security deposits received, other deposits received and secured bank borrowings are subsequently measured at amortised cost, using the effective interest rate method.

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 and the cumulative gain or loss that had been recognised in other comprehensive income and cumulated in equity is recognised in profit or loss.

The Group derecognised 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.

Equity settled share-based payment transactions

Share options granted to the Directors and employees of the Group

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 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 accumulated profits or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity settled share-based payment transactions (continued)

Share options granted to the Directors and employees of the Group (continued)

For share options granted on or before 7 November 2002 and share options granted after 7 November 2002 but vested before 1 January 2005, the Group did not recognise any financial effect of these share options in accordance with the transitional provisions of HKFRS 2. The financial impact of such share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to other participants

Share options issued in exchange for goods or services are measured at the fair value of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Impairment losses on tangible assets (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets 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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible assets (see the accounting policy in respect of goodwill above) (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated impairment of finance lease receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows and fair value of the pledged assets less cost to sell. The amount of the impairment loss is measured as the difference between the asset's carrying amount and higher of 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) and the fair value of the pledged assets less cost to sell. Where the actual future cash flows or the net selling price of the pledged assets are less than expected, a material impairment loss may arise.

During the year ended 31 December 2011, impairment loss of HK$8,225,000 has been recognised for finance lease receivables (2010: HK$21,201,000). As at 31 December 2011, the carrying amount of finance lease receivables is approximately HK$608,654,000 (2010: HK$548,642,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of goodwill and interests in associates

Determining whether goodwill and interests in associates are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and interests in associates have 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 31 December 2011, the carrying amount of goodwill and interests in associates are approximately HK$52,935,000, net of accumulated impairment loss of HK$201,854,000 (2010: HK$52,935,000, net of accumulated impairment loss of HK$201,854,000) and HK$279,390,000, net of accumulated impairment loss of HK$66,994,000 (2010: HK$204,888,000), respectively. Details of the recoverable amount calculation are disclosed in Notes 21 and 22 respectively.

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Financial assets at FVTPL		
Held-for-trading investments	**36,888**	15,002
Structured deposits designated as at FVTPL	**13,580**	–
	50,468	15,002
Loan and receivables (including cash and cash equivalents)	**332,253**	323,558
Available-for-sale investments	**5,185**	4,941
Finance lease receivables	**608,654**	548,642
Financial liabilities		
Amortised cost	**700,519**	645,243

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, finance lease receivables, entrusted loan receivables, trade receivables, other receivables, held-for-trading investments, structured deposits, loan to an associate, restricted bank deposits, bank balances and cash, amount due from an associate, loan to an associate, secured bank borrowings, other payables, security deposits received and other deposits received. 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

(i) Currency risk

The normal operations and investments of the Group are mainly in Hong Kong and the PRC, with revenue and expenditure denominated in Hong Kong dollars and Renminbi which are primarily transacted using functional currencies of the respective group entities. The Group is mainly exposed to currency risk in relation to Hong Kong dollar (HK$) denominated secured bank borrowings as at 31 December 2011 and 2010. The Group will consider using forward exchange contracts to hedge against foreign currency exposures if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on 5% (2010: 5%) increase and decrease in HK$ against Renminbi, the functional currency of the entity.

For a 5% (2010: 5%) weakening of HK$ against Renminbi, there would be an increase in post-tax profit by HK$4,750,000 (2010: HK$5,542,000). For a 5% (2010: 5%) strengthening of HK$ against Renminbi, there would be an equal and opposite impact on the profit.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate entrusted loan receivables as disclosed in Note 24. The Group is also exposed to cash flow interest rate risk due to the fluctuation of market interest rate on variable-rate finance lease receivables as disclosed in Note 23, bank balances and restricted bank deposits in Note 27 and secured variable-rate bank borrowings as disclosed in Note 35. It is the Group's policy to keep majority of its finance lease receivables and borrowings at floating rates of interest so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of Hong Kong banks' prime rate, the People's Bank of China Renminbi Lending Rate ("PBC rate") and Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's variable-rate finance lease receivables and secured bank borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate finance lease receivables and secured bank borrowings at the end of reporting period. The analysis is prepared assuming these outstanding balances at the end of the reporting period were outstanding for the whole year. A 50 basis points (2010: 50 basis points) increase or decrease which represents management's assessment of the reasonably possible change in interest rates is used.

If interest rates had been 50 basis points (2010: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2011 would increase/decrease by approximately HK$70,000 (2010: post-tax loss decrease/increase by approximately HK$42,000).

The Group's exposure to bank balances was not included in the above analysis as the management considers that the exposure to these risks for bank balances are insignificant.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities and structured deposits classified as held-for-trading investments and designated as at FVTPL, respectively. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments of entities operating in the PRC which are quoted in stock exchanges in the PRC and Hong Kong. The Group currently does not use any derivative contracts to hedge its exposure to other price risk. However, the management has appointed a team to monitor the price risk and will consider hedging the risk exposure should that needs arise.

Sensitivity analysis

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

If the prices of the respective equity instruments had been 10% (2010: 10%) higher/lower, post-tax profit for the year ended 31 December 2011 would increase/decrease by approximately HK$4,214,000 (2010: post-tax loss would decrease/increase by approximately HK$1,253,000) as a result of the changes in fair value of held-for-trading investments.

Credit risk

As at 31 December 2011 and 2010, 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 arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for 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 trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

Before accepting any new finance lease and entrusted loan borrowers, the Group assesses the credit quality of each potential finance lease or entrusted loan borrower and defined limits for each finance lease borrower or entrusted loan borrower. The Group also demands certain finance lease borrowers to place security deposits with the Group at the time the finance lease arrangement is entered into. In addition, the Group has reviewed the repayment history of finance lease payments from each finance lease borrower or repayment from each entrusted loan borrower with reference to the repayment schedule from the date of finance lease or entrusted loan was initially granted up to the reporting date to determine the recoverability of a finance lease receivable and entrusted loan receivable.

The credit risk on restricted bank deposits, structured deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 100% (2010: 100%) of the financial lease receivables and 100% of the entrusted loan receivables as at 31 December 2010.

The Group has concentration of credit risk on its trade receivables as 53% (2010: 27%) and 100% (2010: 90%) of the total trade receivables was due from the Group's largest customer and the five largest customers, respectively. The customers are mainly sourced from the Group's in the property leasing business.

The Group also has concentration of credit risk from finance leasing business as 22% (2010: 32%) and 85% (2010: 95%) of the total finance lease receivables was due from the Group's largest finance lease borrower and the five largest finance lease borrowers, respectively. The Group's five largest finance lease borrowers are spread across diverse industries such as airline and utility industries. Of the five largest finance lease borrowers, four of them are listed companies in the PRC or group companies of listed companies in the PRC. Over 99% (2010: 95%) of the finance lease customers have good repayment history with no record of late payment.

As at 31 December 2011, the Group has concentration of credit risk on its loan to an associate. The associate carries operation in Hong Kong.

As at 31 December 2010, the Group has concentration of credit risk from entrusted loan business as the Group has only one entrusted loan borrower. The customer is from industry sector and has good repayment history with no record of late payment.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

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 borrowings from time to time.

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. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from weighted average interest rate at the end of reporting period.

Liquidity table

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 - 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows as at 31.12.2011 HK$'000	Carrying amount at 31.12.2011 HK$'000
Non-derivative financial liabilities							
Other payables	-	191	3,848	2,102	-	6,141	6,141
Security deposits received	-	-	-	-	18,506	18,506	18,506
Other deposits received	-	-	13,200	-	-	13,200	13,200
Secured bank borrowings	5	138,210	91,389	188,406	270,261	688,266	662,672
		138,401	108,437	190,508	288,767	726,113	700,519

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity table (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$'000	1 – 5 years HK$'000	Total undiscounted cash flows as at 31.12.2010 HK$'000	Carrying amount at 31.12.2010 HK$'000
Non-derivative financial liabilities							
Other payables	–	193	515	3,243	–	3,951	3,951
Security deposits received	–	–	–	–	10,588	10,588	10,588
Other deposits received	–	–	1,210	–	–	1,210	1,210
Secured bank borrowings	4	156,191	33,509	146,292	314,482	650,474	629,494
		156,384	35,234	149,535	325,070	666,223	645,243

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2011 and 31 December 2010, the aggregate undiscounted principal amounts of these bank loans amounted to HK$31,757,000 and HK$57,091,000 respectively. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that these bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The following table details the Group's aggregate principal and interest cash outflows for bank loans with a repayment on demand clause. To the extent that interest flows are floating rate, the undiscounted amount is derived from weighted average interest rate at the end of reporting period.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity table (continued)

	Weighted average interest rate %	Less than 1 year HK$'000	1 – 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Secured bank borrowings with repayment on demand clause						
As at 31.12.2011	1.34	2,905	11,617	19,848	34,370	31,757
As at 31.12.2010	1.25	4,817	19,269	37,739	61,825	57,091

The amounts scheduled 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.

c. Fair value

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; and

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

The Directors consider that the carrying amounts of financial assets and financial liabilities in the consolidated financial statements approximate their fair values.

5. FINANCIAL INSTRUMENTS (continued)

c. Fair value (continued)

Fair value measurements recognised in the consolidated statement of financial position

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

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

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL				
Held-for-trading investments	**36,888**	**–**	**–**	**36,888**
Structured deposits	**–**	**13,580**	**–**	**13,580**
	36,888	**13,580**	**–**	**50,468**

	2010			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Held-for-trading investments	15,002	–	–	15,002

There was no transfer between Level 1 and 2 in the current year.

There was no transfer into or out of Level 3 and there was no gain or loss for the year recognised in profit or loss or other comprehensive income.

6. CAPITAL RISK MANAGEMENT

The Group's objectives to manage its capital are to ensure that entities of the Group will be able to continue as a going concern while maximising the return to shareholders, to support the Group's stability and growth, and to strengthen the Group's financial management capability. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in Note 35 net of restricted bank deposits, bank balances and cash, and total equity.

The Directors review the capital structure regularly and manage its capital structure to ensure an optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Directors monitor capital mainly using net debt to total equity ratio and current ratio. These ratios as at 31 December 2011 and 2010 were as follows:

	2011	2010
	HK$'000	HK$'000
Net debt [(1)]	**331,298**	310,538
Total equity [(2)]	**834,651**	704,411
Net debt to total equity ratio (%)	**40**	44
Current assets	**803,979**	536,800
Current liabilities	**464,079**	357,268
Current ratio (%)	**173**	150

The Directors considered that the Group maintained healthy capital as at 31 December 2011 as the Group has excess of current assets over current liabilities.

Notes:

(1) Net debt equals borrowings less restricted bank deposits, structured deposits and bank balances and cash.

(2) Total equity equals to all capital and reserves of the Group including non-controlling interests.

7. REVENUE

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

	2011	2010
	HK$'000	HK$'000
Finance lease income	**55,395**	51,350
Property leasing income	**6,491**	5,797
Sale of goods	**5,619**	–
	67,505	57,147

8. SEGMENT INFORMATION

Information reported to the chief operating decision maker ("CODM"), being the Managing Director of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided, which is also the basis of organisation of the Group, is set out below.

The Group is currently organised into three operating divisions – property leasing and building management services, finance leasing and assets management where assets management segment is engaged in investment holding and trading of goods.

Upon disposal of the Grand Award Group and deemed disposal of the GDC Group in 2010, the operating and reportable segments, namely digital content distribution and exhibitions; deployment of digital cinema network in Asia; computer graphics ("CG") creation and production; CG training courses; films and television programme production and cultural park were discontinued.

The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in Note 11.

8. SEGMENT INFORMATION (continued)

Segment revenue and results

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

For the year ended 31 December 2011

Continuing operations

	Property leasing and building management services HK$'000	Finance leasing HK$'000	Assets management HK$'000	Total HK$'000
Segment revenue	6,491	55,395	5,619	67,505
Segment result	69,120	190	189	69,499
Other income				2,440
Central administration costs				(36,586)
Changes in fair value of held-for-trading investments				(10,441)
Finance costs				(2,100)
Share of results of associates				166,521
Impairment loss on interests in an associate				(66,994)
Loss on disposal of partial interests and dilution of interests in an associate				(6,883)
Profit before tax				115,456

8. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2010

Continuing operations

	Property leasing and building management services HK$'000	Finance leasing HK$'000	Assets management HK$'000	Total HK$'000
Segment revenue	5,797	51,350	–	57,147
Segment result	42,888	(1,405)	(647)	40,836
Other income				1,569
Central administration costs				(35,698)
Changes in fair value of held-for-trading investments				(282)
Finance costs				(2,649)
Share of results of associates				(16,388)
Gain on disposal of partial interests in an associate				1,358
Loss before tax				(11,254)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current and prior years.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment result represents the profit earned (loss) incurred by each segment without allocation of central administration costs including Directors' salaries, share of results of associates, impairment loss on interests in an associate, other income, finance costs, changes in fair value of held-for-trading investments and (loss) gain on disposal of partial interests and dilution of interests in an associate. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	2011 **HK$'000**	2010 HK$'000
Segment assets		
Property leasing and building management services	**212,667**	195,849
Finance leasing	**890,104**	821,414
Assets management	**35,417**	37,046
Total segment assets	**1,138,188**	1,054,309
Interests in associates	**279,390**	204,888
Loan to an associate	**9,772**	–
Held-for-trading investments	**36,888**	15,002
Structured deposits	**13,580**	–
Other unallocated assets	**93,579**	99,261
Consolidated assets	**1,571,397**	1,373,460

	2011 **HK$'000**	2010 HK$'000
Segment liabilities		
Property leasing and building management services	**17,618**	3,254
Finance leasing	**573,805**	501,416
Assets management	**1,624**	453
Total segment liabilities	**593,047**	505,123
Tax liabilities	**12,056**	10,855
Unallocated secured bank borrowings	**123,757**	149,091
Other unallocated liabilities	**7,886**	3,980
Consolidated liabilities	**736,746**	669,049

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the purpose of monitoring segment performances and allocating resources between segments:

– all assets are allocated to reportable segments other than interests in associates, held-for-trading investments, structured deposits, loan to an associate and other unallocated corporate assets (including primarily unallocated property, plant and equipment, cash and bank balances and prepayments).

– all liabilities are allocated to reportable segments other than current tax liabilities, unallocated secured bank borrowings not for finance leasing and other unallocated liabilities.

Other segment information

2011

Continuing operations

	Property leasing and building management services HK$'000	Finance leasing HK$'000	Assets management HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss:					
Depreciation of property, plant and equipment	24	927	134	255	1,340
Impairment loss on finance lease receivables	–	8,225	–	–	8,225
Impairment loss on interests in an associate	–	–	–	66,994	66,994
Loss on disposal of property, plant and equipment	3	–	–	5	8
Increase in fair value of investment properties	65,055	–	–	–	65,055
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss:					
Interest income	–	1,798	633	2,440	4,871

8. SEGMENT INFORMATION (continued)

Other segment information (continued)

2010

Continuing operations

	Property leasing and building management services HK$'000	Finance leasing HK$'000	Assets management HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss:					
Depreciation of property, plant and equipment	–	793	5	637	1,435
Impairment loss on finance lease receivables	–	21,201	–	–	21,201
Loss on disposal of property, plant and equipment	–	–	–	6	6
Increase in fair value of investment properties	38,140	–	–	–	38,140
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss:					
Interest income	–	607	11	685	1,303

8. SEGMENT INFORMATION (continued)

Geographical information

The Group operates in two principal geographical areas – the PRC and Hong Kong.

The Group's revenue from continuing operations from external customers by location of the relevant subsidiary's operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**61,014**	51,350	**83,667**	82,289
Hong Kong	**6,491**	5,797	**75,745**	191,695
	67,505	57,147	**159,412**	273,984

Note:

1. Non-current assets excluded available-for-sale investments, interests in associates and other financial instruments.

Information about major customers

Revenue from three customers, each individually contributing over 10% of the total revenue of the Group from the continuing operations under reportable segment of finance leasing are as follows:

	2011	2010
	HK$'000	HK$'000
Customer A	**11,844**	13,343
Customer B	**11,786**	N/A
Customer C	**10,197**	19,842
Customer D	**N/A**	5,727

9. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Continuing operations		
Interest income on bank deposits and structured deposits	**4,871**	1,303
Dividend income from held-for-trading investments	**285**	392
Others	**331**	895
	5,487	2,590

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Continuing operations		
Interest on bank borrowings wholly repayable within five years	**42,515**	33,842
Other finance costs	**–**	460
	42,515	34,302
Less: Interest on bank borrowings wholly repayable within five years included in cost of sales	**(40,415)**	(31,653)
	2,100	2,649

Included in cost of sales is interest on bank borrowings wholly repayable within five years amounting to HK$40,415,000 (2010: HK$31,653,000) under the finance leasing segment.

11. DISCONTINUED OPERATIONS

(a) Disposal of subsidiaries

On 16 March 2010, a subsidiary of the Company entered into a share transfer agreement with an independent purchaser and a guarantor, pursuant to which the subsidiary agreed to sell to the purchaser the entire issued share capital of Grand Award Limited for US$1 and to assign the loan to the purchaser for an aggregate consideration of HK$247,920,000 (the "Disposal"). Grand Award Group carried out all the Group's film and television programme production. The Disposal was completed on 11 June 2010 on which date the Group passed the control of Grand Award Group to the purchaser. Details of the Disposal are set out in the announcement of the Company dated 16 March 2010.

11. DISCONTINUED OPERATIONS (continued)

(b) Deemed disposal of subsidiaries

On 10 December 2010, upon allotment and issue of the relevant GDC shares pursuant to its share option scheme, the Company's equity interest in GDC has been diluted and fallen below 50% and was considered as a deemed disposal of GDC. Accordingly, GDC Group ceased to be a subsidiary of the Company and became an associate of the Company on that day ("Deemed Disposal").

GDC is incorporated in Bermuda as an exempted company with limited liability under The Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange.

The principal activities of GDC are the provision and distribution of cultural recreation content including CG creation and production, digital content distribution and exhibitions, deployment of digital cinema network in Asia, CG training courses and cultural park. Accordingly, these operations were considered as discontinued since 10 December 2010.

Analysis of profit for the year from discontinued operations

The combined results of discontinued operations from the Grand Award Group and GDC Group included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below.

The profit for the year from discontinued operations is analysed as follows:

	Year ended 31 December 2010 HK$'000
Profit from discontinued operations	125,334
Gain on disposal of discontinued operations	9,899
	135,233

11. DISCONTINUED OPERATIONS (continued)

Analysis of profit for the year from discontinued operations (continued)

The combined results of the Grand Award Group for the period from 1 January 2010 to 10 June 2010 and the GDC Group for the period from 1 January 2010 to 9 December 2010 were as follows. No separate disclosure of the results of Grand Award Group and GDC Group has been made as the results attributed to Grand Award Group are insignificant.

	Year ended 31 December 2010 HK$'000
Revenue	545,129
Cost of sales	(304,200)
Gross profit	240,929
Other income	9,754
Distribution costs and selling expenses	(12,971)
Administrative expenses	(91,936)
Changes in fair value for held-for-trading investments	241
Finance costs	(2,255)
Share of results of associates	(77)
Impairment loss on convertible loan receivable	(7,519)
Profit before tax	136,166
Income tax expenses	(10,832)
Profit from discontinued operations	125,334

11. DISCONTINUED OPERATIONS (continued)

Analysis of profit for the year from discontinued operations (continued)

	Year ended 31 December 2010 HK$'000
Profit for the year from discontinued operations included the following:	
Reversal of allowance for doubtful debts	(1,019)
Release of prepaid lease payment	119
Auditor's remuneration	1,070
Cost of inventories recognised as an expense	214,329
Research and development cost	6,391
Depreciation of property, plant and equipment	13,427
Less: amounts included in productions work in progress	(1,563)
amounts included in contract cost	(117)
	11,747
Staff costs (including Directors' remuneration)	
Salaries and allowance	50,021
Pension scheme contributions	1,286
Total staff costs	51,307
and after crediting:	
Exchange gain, net	392
Interest income	4,452
Gain on disposal of property, plant and equipment	283

11. DISCONTINUED OPERATIONS (continued)

Analysis of profit for the year from discontinued operations (continued)

The net assets of the subsidiaries at the dates of the disposal of Grand Award Group and deemed disposal of GDC Group were as follows. No separate disclosure of the net assets of Grand Award Group nor GDC Group has been made as the net assets attributed to Grand Award Group are insignificant.

	HK$'000
Property, plant and equipment	254,920
Prepaid lease payments	5,873
Investment properties	93,605
Interests in associates	21,732
Other receivables	24,121
Available-for-sale investments	32,506
Inventories	59,197
Amounts due from customers for contract work	6,257
Trade receivables	104,471
Prepayments, deposits and other receivables	329,410
Convertible loan receivable	366
Held-for-trading investments	2,639
Pledged bank deposits	44,030
Structured deposits	41,169
Bank balances and cash	245,497
Trade payables	(41,055)
Other payables and accruals	(93,113)
Income received in advance	(56,250)
Amount due to an associate	(21,114)
Tax liabilities	(16,669)
Bank borrowings – due within one year	(42,001)
Bank borrowings – due after one year	(158,621)
	836,970
Non-controlling interests	(384,338)
	452,632

11. DISCONTINUED OPERATIONS (continued)

Analysis of profit for the year from discontinued operations (continued)

	HK$'000
The gain on disposal of subsidiaries is calculated as follows:	
Cash consideration received	254,818
Fair value of residual interests in GDC Group, based on quoted market price of GDC's shares at 10 December 2010	550,136
Reclassification of translation and special reserves to profit or loss	(10,420)
Impairment loss on initial carrying amount of interests in GDC Group	(332,003)
Less: net assets attributable to GDC Group and Grand Award Group	(452,632)
Gain on disposal	9,899
Net cash inflow arising on disposal:	
Cash consideration received	254,818
Less: bank balances and cash disposed of	(245,497)
	9,321

Cash flows from discontinued operations:

	Year ended 31 December 2010 HK$'000
Net cash flows used in operating activities	(63,242)
Net cash flows used in investing activities	(164,787)
Net cash flows from financing activities	190,417
Effect of foreign exchange rate changes	6,138
Net cash flows	(31,474)

12. (LOSS) GAIN ON DISPOSAL OF PARTIAL INTERESTS AND DILUTION OF INTERESTS IN AN ASSOCIATE

	2011 HK$'000	2010 HK$'000
Gain on disposal of partial interests in GDC (Note a)	**15,417**	1,358
Loss on dilution of interests in GDC (Note b)	**(22,300)**	–
	(6,883)	1,358

Notes:

(a) During the year ended 31 December 2011, the Group had disposed certain of its GDC shares in the open market at total cash consideration of approximately HK$24,002,000 (2010: HK$1,993,000), resulting in a gain on partial disposal of approximately HK$15,417,000 (2010: HK$1,358,000). The gain on partial disposal is calculated based on the sales proceeds minus the carrying value attributable to the disposed interest in GDC, release of other comprehensive income upon disposal and transaction costs incurred. The Group's equity interest in GDC has been decreased from 49.84% to 47.80%.

(b) On 4 October 2011, upon allotment and issue of the relevant GDC shares pursuant to the subscription agreement entered into by GDC dated 12 July 2011, the Group's equity interest in GDC has been diluted from 47.80% to 40.78%, resulting in a loss on deemed disposal of approximately HK$22,300,000.

13. INCOME TAX EXPENSE

Continuing operations

	2011 HK$'000	2010 HK$'000
Current tax:		
Hong Kong		
Provision for the year	**242**	239
PRC Enterprise Income Tax ("EIT")		
Provision for the year	**2,110**	3,659
	2,352	3,898
Deferred taxation (Note 36):		
Current year	**(290)**	306
	2,062	4,204

13. INCOME TAX EXPENSE (continued)

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

Under the Laws of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of certain subsidiaries of the Group operating in the PRC was either reduced from 33% to 25% or was increased from 15% to 25% progressively from 1 January 2008 onwards. For the year ended 31 December 2011, the relevant tax rates for the Group's subsidiaries in the PRC ranged from 24% to 25% (2010: 22% to 25%).

The income tax expense for the year can be reconciled to the profit (loss) before tax from continuing operations in the consolidated statement of comprehensive income as follows:

	2011	2010
	HK$'000	HK$'000
Profit (loss) before tax from continuing operations	**115,456**	(11,254)
Tax calculated at PRC EIT rate of 25%	**28,864**	(2,814)
Tax effect on share of results of associates	**(41,630)**	4,097
Tax effect of expenses not deductible for tax purposes	**22,563**	7,113
Tax effect of income not taxable for tax purposes	**(17,450)**	(6,599)
Tax effect of deferred tax assets not recognised	**10,636**	2,336
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(962)**	(368)
Others	**41**	439
Income tax expense for the year	**2,062**	4,204

14. PROFIT (LOSS) FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Continuing operations		
Profit (loss) for the year has been arrived at after charging:		
Staff costs, including Directors' remuneration (Note 15):		
– Salaries, wages and other benefits	**25,877**	19,464
– Retirement benefit scheme contributions	**421**	(255)
– Share-based payments	**–**	7,590
Total staff costs	**26,298**	26,799
Auditor's remuneration	**1,332**	1,351
Depreciation of property, plant and equipment	**1,340**	1,435
Loss on disposal of property, plant and equipment	**8**	6
and after crediting:		
Exchange gain, net	**6**	1
Gross rent from investment properties	**6,491**	5,797
Less: direct operating expenses from investment properties that generated rental income during the year	**(754)**	(822)
	5,737	4,975

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2010: 11) Directors were as follows:

2011

	Li Shaofeng HK$'000	Luo Zhenyu HK$'000	Chen Zheng HK$'000 (Note 1)	Wang Tian HK$'000	Wenxin HK$'000	Leung Yuan Shun Sang, Tony HK$'000	Tam King Ching, Kenny HK$'000	Zhou Jianhong HK$'000	Yip Kin Man, Raymond HK$'000	Total HK$'000
Fees	–	–	–	–	–	190	240	240	240	910
Other emoluments										
Salaries and other benefits	4,050	3,960	941	2,640	2,160	–	–	–	–	13,751
Retirement benefit scheme contributions	90	108	47	72	72	–	–	–	–	389
Total emoluments	4,140	4,068	988	2,712	2,232	190	240	240	240	15,050

2010

	Wang Qinghai HK$'000 (Note 2)	Li Shaofeng HK$'000 (Note 3)	Luo Zhenyu HK$'000 (Note 3)	Cao Zhong HK$'000 (Note 2)	Chen Zheng HK$'000	Wang Tian HK$'000	Wenxin HK$'000	Leung Yuan Shun Sang, Tony HK$'000	Tam King Ching, Kenny HK$'000	Zhou Jianhong HK$'000	Yip Kin Man, Raymond HK$'000	Total HK$'000
Fees	54	–	–	–	–	–	–	190	240	240	240	964
Other emoluments												
Salaries and other benefits	–	1,823	2,008	650	1,560	1,800	1,800	–	–	–	–	9,641
Retirement benefit scheme contributions	–	61	73	4	72	72	72	–	–	–	–	354
Share-based payments	–	2,940	2,406	–	–	–	–	–	–	–	–	5,346
Total emoluments	54	4,824	4,487	654	1,632	1,872	1,872	190	240	240	240	16,305

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

Notes:

(1) Resigned on 27 August 2011.

(2) Resigned on 10 May 2010.

(3) Appointed on 10 May 2010.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, all were Directors whose emoluments are included in the disclosures above for the year ended 31 December 2011 and 2010.

16. EARNINGS (LOSS) PER SHARE

From continuing and discontinued operations

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

	2011 **HK$'000**	2010 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (Profit for the year attributable to owners of the Company)	**113,381**	29,848

16. EARNINGS (LOSS) PER SHARE (continued)

From continuing and discontinued operations (continued)

	2011 '000	2010 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**1,152,192**	1,152,042

The calculation of diluted earnings per share from the continuing and discontinued operations for both years does not include the potential ordinary shares arising from the Company's share options because the exercise prices of these share options were higher than the average market price of the shares of the Company for both years.

From continuing operations

The calculation of the basic and diluted earnings (loss) per share from continuing operations attributable to owners of the Company is based on the following data:

	2011 HK$'000	2010 HK$'000
Earnings (loss)		
Profit for the year attributable to owners of the Company	**113,381**	29,848
Less: Profit for the year from discontinued operations	**–**	(45,269)
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations	**113,381**	(15,421)

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

From discontinued operations

Basic and diluted earnings per share for the discontinued operations for the year ended 31 December 2010 is HK3.93 cents per share based on the profit for the year from the discontinued operations of HK$45,269,000 and the denominators detailed above for both basic and diluted earnings per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Computer equipment	Other fixed assets	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2010	29,686	13,739	28,423	15,987	91,460	179,295
Exchange realignment	1,029	363	476	153	965	2,986
Additions	895	7,909	6,400	41,195	97,932	154,331
Transfer	190,357	–	–	–	(190,357)	–
Disposal of subsidiaries	(190,357)	(20,282)	(35,081)	(49,694)	–	(295,414)
Other disposals	–	(126)	(218)	(1,489)	–	(1,833)
At 31 December 2010	31,610	1,603	–	6,152	–	39,365
Exchange realignment	1,479	2	–	64	–	1,545
Additions	–	220	–	939	–	1,159
Other disposals	–	(102)	–	(130)	–	(232)
At 31 December 2011	33,089	1,723	–	7,025	–	41,837
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2010	1,469	9,809	11,619	11,702	–	34,599
Exchange realignment	146	1	–	43	–	190
Provided for the year	707	4,202	7,828	2,125	–	14,862
Eliminated on disposal of subsidiaries	–	(12,341)	(19,327)	(8,826)	–	(40,494)
Eliminated on other disposals	–	(77)	(120)	(54)	–	(251)
At 31 December 2010	2,322	1,594	–	4,990	–	8,906
Exchange realignment	59	2	–	69	–	130
Provided for the year	734	28	–	578	–	1,340
Eliminated on other disposals	–	(102)	–	(114)	–	(216)
At 31 December 2011	3,115	1,522	–	5,523	–	10,160
CARRYING VALUES						
At 31 December 2011	29,974	201	–	1,502	–	31,677
At 31 December 2010	29,288	9	–	1,162	–	30,459

17. PROPERTY, PLANT AND EQUIPMENT (continued)

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

Leasehold land and buildings	Over the shorter of term of the lease of the land or 50 years
Leasehold improvements	Over the shorter of term of the lease or 5 years
Computer equipment	$33^1/_3$%
Other fixed assets	10% – 30%

The buildings are situated on land with lease term of 50 years.

18. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2010	152,450
Acquired on an acquisition of a subsidiary (Note 38)	84,473
Additions	9,132
Derecognised upon Deemed Disposal (Note 11(b))	(93,605)
Net increase in fair value recognised in profit or loss	38,140
At 31 December 2010 and 1 January 2011	190,590
Transfer to assets classified as held for sale (Note 19)	(132,000)
Derecognised upon disposal	(48,845)
Net increase in fair value recognised in profit or loss	65,055
At 31 December 2011	74,800

The fair values of the Group's investment properties at 31 December 2011 and 2010 have been arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent qualified professional valuer not connected with the Group. AA Property Services Limited is a registered firm of the Hong Kong Institute of Surveyors, and has appropriate qualifications and experience. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions and where appropriate by capitalisation of rental income from properties.

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

At 31 December 2011 and 2010, all of the Group's investment properties are located in Hong Kong and held under long leases with the lease terms of 52 to 126 years. All of the Group's investment properties have been pledged to banks to secure general banking facilities granted to the Group (Note 35).

19. ASSETS CLASSIFIED AS HELD FOR SALE

	2011	2010
	HK$'000	HK$'000
Leasehold land and building		
– Transfer from investment properties (Note 18)	**132,000**	–

On 27 May 2011, a subsidiary of the Company entered into a provisional agreement with an independent purchaser pursuant to which the subsidiary agreed to sell its entire ownership interests in the properties to the purchaser for a cash consideration of HK$132,000,000 (the "Property Disposal"), the direct transaction cost associated with the Property Disposal amounted to approximately HK$1,419,000. The properties comprised units A and B on all of the 3rd, 6th and 9th floors and all the car parking spaces on the 4th floor of Tin Fung Industrial Mansion, 63 Wong Chuk Hang Road, Aberdeen, Hong Kong. The properties are held by the Group as investment properties. The Property Disposal was completed on 1 February 2012. Details of the Property Disposal are set out in the announcement of the Company dated 27 May 2011 and the circular of the Company dated 17 June 2011.

20. GOODWILL

	HK$'000
COST	
At 1 January 2010, 31 December 2010 and 2011	254,789
IMPAIRMENT	
At 1 January 2010, 31 December 2010 and 2011	201,854
CARRYING VALUE	
At 31 December 2010 and 2011	52,935

Particulars regarding impairment testing on goodwill are disclosed in Note 21.

21. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 20 has been allocated to the Cash Generating Unit ("CGU") represented by finance leasing division. During the years ended 31 December 2011 and 2010, specific provision of HK$8,225,000 and HK$21,201,000 respectively have been made in respect of a default debtor. As at 31 December 2011, full provision was made for the mentioned debtor. Other debtors had good credit quality according to their past repayment history that the management of the Company determines that there are no impairments of the CGU represented by finance leasing division.

The recoverable amount of the CGU arising from finance leasing division has been determined on the basis of value in use calculations. For the purpose of impairment testing, the value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 9% (2010: 8%) for finance leasing division. Cash flows beyond the 5-year period are extrapolated using zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflow/outflows which include budgeted revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on 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 carrying amount of the above CGU to exceed the recoverable amount of the above CGU.

22. INTERESTS IN ASSOCIATES

	2011	2010
	HK$'000	HK$'000
Cost of investments in associates		
Listed in Hong Kong	**186,613**	217,498
Unlisted	**1**	–
Share of post-acquisition results	**150,133**	(16,388)
Share of post-acquisition exchange reserve	**9,637**	3,778
	346,384	204,888
Impairment loss	**(66,994)**	–
	279,390	204,888
Fair value of listed investments in Hong Kong	**154,792**	652,080
Carrying amount of interests in associates listed in Hong Kong	**279,389**	204,888

22. INTERESTS IN ASSOCIATES (continued)

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

Name of entity	Form of business structure	Place of incorporation/ establishment and operation	Proportion of nominal value of issued share capital/ registered capital held by the Group		Proportion of voting power held		Principal activities
			2011	2010	**2011**	2010	
GDC	Incorporated	Bermuda/ Hong Kong	**40.78%**	49.84%	**40.78%**	49.84%	Provision and distribution of cultural recreation content including CG creation and production, digital content distribution and exhibitions, deployment of digital cinema network in Asia, CG training courses and cultural park

The carrying amount of investments in GDC Group has been tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset. During the year ended 31 December 2011, the Group recognised an impairment loss of approximately HK$66,994,000 (2010: Nil) in relation to the interests in GDC Group.

22. INTERESTS IN ASSOCIATES (continued)

The recoverable amount of the investment in GDC Group as at 31 December 2011 has been determined on the basis of value in use calculations using cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 11% and a 4% growth rate after the 5-year period. Other key assumptions for the value in use calculations relate to the estimation of cash inflow/outflows which include budgeted revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on past performance and management's expectations for the market development.

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

	2011	2010
	HK$'000	HK$'000
Total assets	**1,198,322**	1,032,845
Total liabilities	**(339,859)**	(460,455)
Net assets	**858,463**	572,390
The Group's share of net assets of associates	**346,384**	204,888
Revenue	**94,677**	39,238*
Profit (loss) for the year	**349,991**	(32,775)*
The Group's share of profit (loss) of associates for the year		
– continuing operations	**166,521#**	(16,388)*
– discontinued operations	**–**	(77)
	166,521	(16,465)
The Group's share of translation difference	**9,637**	3,778*

Contingent liability of GDC Group is set out in Note 39.

* Included revenue, profit or other comprehensive income of GDC Group from the date it became an associate of the Group up to 31 December 2010.

During the year ended 31 December 2011, GDC Group disposed certain of its subsidiaries and resulted in gain on disposal of discontinued operations of HK$277,329,000. The Group's share of the gain on disposal is HK$113,095,000.

23. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Note)	(Note)		
Variable-interest rate finance lease receivables comprise:				
Within one year	**354,865**	244,374	**311,149**	206,414
In more than one year but not more than two years	**176,684**	248,826	**157,857**	231,474
In more than two years but not more than three years	**77,679**	62,776	**68,446**	56,359
In more than three years but not more than four years	**63,785**	30,884	**60,091**	27,686
In more than four years but not more than five years	**11,432**	27,790	**11,111**	26,661
More than five years	**–**	48	**–**	48
	684,445	614,698	**608,654**	548,642
Less: Unearned finance lease income	**(75,791)**	(66,056)	**N/A**	N/A
Present value of minimum lease receipts	**608,654**	548,642	**608,654**	548,642
Analysed as:				
Current finance lease receivables (receivable within 12 months)			**311,149**	206,414
Non-current finance lease receivables (receivable after 12 months)			**297,505**	342,228
			608,654	548,642

Note: The minimum lease receipts amounts as at 31 December 2011 and 2010 are presented using the prevailing PBC rate as at 31 December 2011 and 2010 respectively.

23. FINANCE LEASE RECEIVABLES (continued)

Effective interest rates per annum of the above finance lease receivables for the year are as follows:

	2011	2010
Effective interest rates	**6% to 15%**	5% to 15%

As at 31 December 2011, finance lease receivables of approximately HK$536,731,000 (2010: HK$501,532,000) have been pledged against specific bank borrowings granted to the Group (Note 35). The pledges will be released upon the settlement of bank borrowings.

Movement in provision for finance lease receivables

	2011 **HK$'000**	2010 HK$'000
1 January	**28,009**	6,114
Impairment losses recognised on receivables	**8,225**	21,201
Exchange realignment	**1,680**	694
31 December	**37,914**	28,009

As at 31 December 2011 and 2010, impairment loss on finance lease receivables of HK$8,225,000 and HK$21,201,000, respectively, has been made in respect of one debtor, as in the opinion of the Directors, these amounts cannot be recovered due to default in payments. Included in the Group's finance lease receivables is a lessee with a carrying amount of HK$444,000 (2010: Nil) which is past due as at the reporting date but not impaired. The age of the receivable is 77 days and the receivable was fully settled in January 2012.

Except the mentioned debtor, finance lease receivables which are neither past due nor impaired, the Directors assessed that the balances are with good credit quality according to their past repayment history.

Security deposits of approximately HK$18,506,000 (2010: HK$10,588,000) have been received by the Group to secure the finance lease receivables. In addition, the finance lease receivables are secured over the leased assets mainly aeroplanes and hopper dredgers as at 31 December 2011. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

23. FINANCE LEASE RECEIVABLES (continued)

Estimates of fair value of collateral are made during the credit approval process, determined using valuation techniques commonly used for the corresponding assets. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that loan is updated by reference to market value such as recent transaction price of the assets.

Security deposits received have been classified into non-current liabilities of HK$18,506,000 (2010: HK$10,588,000) based on the final lease instalment due date stipulated in the finance lease agreements.

All the Group's finance lease receivables are denominated in Renminbi, the functional currency of the relevant group entity.

24. ENTRUSTED LOAN RECEIVABLES

In 2010, one of the PRC subsidiaries of the Company entered into entrusted loan arrangements with banks, in which the subsidiary acted as the entrusting parties and the banks acted as the lenders to provide funding to specified borrowers. The entrusted loan receivables were due within one year and fully repaid in 2011.

As at 31 December 2010, the exposure of the Group's fixed-rate entrusted loan receivables were due within one year.

The ranges of effective interest rates (which were equal to contractual interest rates) on the Group's entrusted loan receivables as at 31 December 2010 were 13%.

As at 31 December 2010, no entrusted loan receivable had been past due but not impaired. The Directors considered that the entrusted loan borrowers had good credit quality according to their past repayment history.

The Group's entrusted loan receivables were denominated in Renminbi, the functional currency of the relevant group entities.

The entrusted loan receivables were mainly secured by properties and vessels pledged by the specified borrowers or their related parties. The Group is not permitted to sell or repledge the collateral in the absence of default by the entrusted loan borrowers.

25. INVENTORIES

Inventories represent goods held for resale.

26. TRADE RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables	128	132
Less: Allowance for doubtful debts	–	–
	128	132

The Group allows a credit period of 90 days to its trade customers.

The following is an aged analysis of the trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2011 HK$'000	2010 HK$'000
0 – 90 days	123	132
91 – 180 days	5	–
	128	132

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$5,000 (2010: Nil) which are past due as at the end of the reporting period of which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 122 days as at 31 December 2011.

Movement in the allowance for doubtful debts

	2011 HK$'000	2010 HK$'000
At 1 January	–	9,695
Amounts recovered during the year	–	(1,019)
Impairment losses released upon Deemed Disposal	–	(8,676)
At 31 December	–	–

27. OTHER FINANCIAL ASSETS

Prepayments, deposits and other receivables

	2011 HK$'000	2010 HK$'000
Other receivables	**4,171**	3,839
Prepayments	**–**	953
Deposits	**1,552**	1,492
	5,723	6,284

Restricted bank deposits

The amounts as at 31 December 2011 and 2010 represented bank deposits which will be released upon the full settlement of the relevant bank borrowings. Therefore, they are classified as non-current assets. The deposits carried interest at average interest rate of 1.21% (2010: 3.60%) per annum.

Bank balances and cash

The Group's deposits carry interest rate at prevailing bank saving deposits rate ranging from 0.03% to 2.70% (2010: 0.04% to 2.30%) per annum.

28. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 31 December 2011 and 2010 represented equity securities as follows:

	2011 HK$'000	2010 HK$'000
Listed in the PRC	**1,703**	1,843
Listed in Hong Kong	**35,185**	13,159
	36,888	15,002

The fair values of the held-for-trading investments were determined based on the quoted market bid prices available on the relevant exchanges.

29. AVAILABLE-FOR-SALE INVESTMENTS

The investment represents equity interest in private entities established in the PRC.

The investment is measured at cost less impairment at the end of the reporting period because the range of the reasonable fair value estimates is so variable that the Directors are of the opinion that their fair values cannot be measured reliably.

30. STRUCTURED DEPOSITS

The structured deposits as at 31 December 2011 consist of principal-protected deposits of RMB1,000,000 (equivalent to approximately HK$1,235,000) and deposits of RMB 10,000,000 (equivalent to approximately HK$12,345,000) issued by banks in the PRC. The structured deposits carry interest at expected interest rate of 6% and 5.25% per annum respectively, depending on the market price of the underlying financial products invested by the banks, payable on maturity where the maturity ranges from 30 to 45 days. The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivative. The Directors consider the fair values of the structured deposits, which are based on the prices the counterparty bank would pay to redeem at 31 December 2011, approximate to their carrying values at 31 December 2011.

The structured deposits are redeemed in January and February 2012. The change in fair value up to the date of redemption is not significant.

31. OTHER PAYABLES AND ACCRUALS

	2011	2010
	HK$'000	HK$'000
Accrued salaries and bonuses	**3,232**	1,592
Accrued legal and professional fees	**5,768**	1,456
Other tax payable	**1,572**	1,463
Payable to a supplier for the purchase of lease assets	**3,333**	–
Others	**3,547**	1,993
	17,452	6,504

Included in the Group's other payables and accruals is a payable to a supplier for the purchase of lease assets with aggregate carrying amount of HK$3,333,000 (2010: Nil) which is aged within three months.

32. INCOME RECEIVED IN ADVANCE

As at 31 December 2011 and 2010, the income received in advance included handling fee income received from finance lease borrowers for administrative services provided over the relevant lease term.

	2011	2010
	HK$'000	HK$'000
Analysed for reporting purposes:		
Current	**5,947**	4,896
Non-current	**4,147**	3,520
	10,094	8,416

Handling fee income is recognised on a straight line basis over the relevant finance lease terms. Non-current portion of income received in advance represents handling fee income to be realised after twelve months.

33. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, non-interest bearing and repayable on demand.

34. LOAN TO AN ASSOCIATE

The amount is due from an unlisted associate, unsecured, non-interest bearing and repayable within one year.

35. SECURED BANK BORROWINGS

	2011 HK$'000	2010 HK$'000
Secured variable-rate bank borrowings	**662,672**	629,494
Carrying amount repayable (Note):		
Within one year	**382,593**	276,712
More than one year, but not exceeding two years	**130,186**	202,637
More than two years, but not exceeding three years	**56,905**	38,707
More than three years, but not exceeding four years	**50,120**	27,686
More than four years, but not exceeding five years	**11,111**	26,661
	630,915	572,403
Carrying amount of bank borrowings that are repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**2,491**	4,127
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**29,266**	52,964
	662,672	629,494
Less: Amounts due within one year shown under current liabilities	**(414,350)**	(333,803)
Amounts due after one year	**248,322**	295,691

Note: The amounts are based on scheduled repayment dates set out in the loan agreements.

35. SECURED BANK BORROWINGS (continued)

The interest rates for the Group's bank borrowings vary from different subsidiaries. The interest rates vary from Hong Kong banks' prime rate minus 2.75%, HIBOR plus 1% to 1.5% and variable PBC rate plus a percentage spread of 5% to 10% (2010: Hong Kong banks' prime rate minus 2.25%, HIBOR plus 1.5% and variable PBC rate plus a percentage spread of 5% to 9%). Secured bank borrowings of HK$123,757,000 (2010: HK$149,091,000) are exposed to the fluctuations of HIBOR and Hong Kong banks' prime rate while the remaining HK$538,915,000 (2010: HK$480,403,000) are exposed to the fluctuation of PBC rate. The effective interest rates for the Group ranged from 1.2% – 9.0% per annum for the year ended 31 December 2011 (2010: 1.2% to 9.0% per annum). The interest is repricing every month for secured bank borrowing of approximately HK$123,757,000 (2010: HK$149,091,000) and repricing every quarter for secured bank borrowing of approximately HK$538,915,000 (2010: HK$480,403,000). The proceeds were used as general working capital for the Group for the year ended 31 December 2011 and 2010.

As at 31 December 2011 and 2010, the bank borrowings were secured by the Group's pledge of investment properties (Note 18) and certain finance lease receivables (Note 23).

36. DEFERRED TAX LIABILITIES

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

	2011 **HK$'000**	2010 HK$'000
Deferred tax liabilities	**12,965**	11,457
Deferred tax assets	**(11,273)**	(9,475)
	1,692	1,982

36. DEFERRED TAX LIABILITIES (continued)

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

	Investment properties HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2010	10,654	230	(9,208)	1,676
Charge (credit) to profit or loss	2,714	53	(2,461)	306
At 31 December 2010	13,368	283	(11,669)	1,982
(Credit) charge to profit or loss	(403)	(283)	396	(290)
At 31 December 2011	12,965	–	(11,273)	1,692

At the end of the reporting period, the Group has unused tax losses of approximately HK$223,494,000 (2010: HK$183,348,000) available for offset against future profits subject to approval from the relevant tax authority. Upon the Deemed Disposal, the amount of unused tax losses arisen from the GDC Group of approximately HK$80,141,000 are excluded from the Group's unused tax losses as at 31 December 2010. Deferred tax asset has been recognised in respect of approximately HK$68,321,000 (2010: HK$70,720,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$155,173,000 (2010: HK$112,628,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Group's PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the retained profits earned by the PRC subsidiaries amounting to HK$26 million as at 31 December 2011 (31 December 2010: HK$18 million) 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.

37. SHARE CAPITAL

	2011		2010	
	Number of shares	**Nominal value HK$'000**	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 January and 31 December	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid:				
At 1 January	**1,152,192,469**	**11,522**	1,151,392,469	11,514
Exercise of share options (Note)	**–**	**–**	800,000	8
At 31 December	**1,152,192,469**	**11,522**	1,152,192,469	11,522

Note: For the year ended 31 December 2010, share option holders exercised their rights to subscribe 800,000 ordinary shares of the Company at HK$0.41 per share.

38. ACQUISITION OF A SUBSIDIARY

On 30 March 2010, the Group acquired 68% of the issued capital of 廣東時尚置業有限公司 (now known as 廣東環球數碼創意產業有限公司) (Guangdong Shishang Zhiye Investment Co., Ltd., now known as Guandong GDC Cultural Park Limited) ("Guangdong Shishang") for consideration of RMB56,060,000 (equivalent to approximately HK$63,705,000). The acquisition was completed on 20 April 2010. Details of the acquisition were set out in the announcement of the Company dated 30 March 2010.

Guangdong Shishang is a limited liability company established in the PRC on 23 March 2007. Guangdong Shishang entered into a framework agreement on 28 March 2007 (as supplemented on 3 April 2008) (the "Framework Agreement") with 珠江電影製片有限公司 (Pearl River Film Production Company Limited) ("Pearl River Film Production") to redevelop 珠影文化產業園 ("Pearl River Film Cultural Park"). Pearl River Film Production, as the landlord of the Pearl River Film Cultural Park, agreed to grant the property leasing right to Guangdong Shishang, in return for predetermined fixed monthly payment from Guangdong Shishang for a term up to 31 December 2045. Guangdong Shishang is responsible for the design, financing, construction and operation of the Pearl River Film Cultural Park and the funding of the entire construction project. Upon the expiration of the Framework Agreement, Guangdong Shishang has to return all properties to Pearl River Film Production.

The Pearl River Film Cultural Park is located at No. 352 and 354, Xin Gang Zhong Road, Guangzhou, China and the present land use right is owned by Pearl River Film Production. After the redevelopment, which is expected to be completed in the next 2 to 3 years, the Pearl River Film Cultural Park will have a commercial area, a cultural entertainment area and a film production and development area, which will be held for investment properties purpose.

The acquisition of the subsidiary is accounted for as acquisition of assets and assumption of liabilities.

38. ACQUISITION OF A SUBSIDIARY (continued)

The net assets of the subsidiary acquired as of the completion date of the acquisition are as follows:

	HK$'000
Net assets acquired:	
Investment properties	84,473
Prepayments, deposits and other receivables	12,305
Bank balances and cash	556
Other payables and accruals	(5,702)
	91,632
Non-controlling interests	(27,927)
Total consideration satisfied by cash	63,705
Net cash outflow arising on acquisition:	
Cash consideration paid	63,705
Bank balances and cash acquired	(556)
	63,149

This subsidiary has been disposed of during the year ended 31 December 2010 upon Deemed Disposal as set out in Note 11(b).

39. LITIGATION

GDC (previously a non-wholly-owned subsidiary of the Company and now became an associate of the Company) received an original complaint in April 2010, a first amended complaint in July 2010 and a second amended complaint in March 2011 for damages and injunctive relief, and demand for jury trial (the "Proceeding") filed with the District Court, Central District of California Western Division of the United States (the "Court") by X6D Limited, X6D USA Inc. and XpanD, Inc. (collectively, the "X6D") against, among others, GDC and its subsidiaries namely GDC Technology Limited, GDC Technology China Limited, GDC Technology (USA), LLC and GDC Technology of America LLC (collectively, the "Defendants") for copyright infringement, trademark and trade dress infringement, patent infringement, misappropriation of trade secrets and statutory unfair competition in relation to the 3D glasses sold by the Defendants. Sale of 3D glasses is not a core business of the GDC Group.

The GDC Group filed its answer and counterclaims in November 2010 and amended answers and counterclaims in January 2011 and April 2011 denying X6D's allegations, asserting various affirmative defenses and asserting eight counterclaims against X6D generally that, among others, X6D did not own any valid intellectual property rights that cover the Defendants' 3D glasses and X6D wrongfully and intentionally interfered with the Defendants' prospective business relations with their potential customers. In January 2011 and May 2011, X6D filed its answers to the counterclaims denying the Defendants' allegations and asserting various affirmative defenses.

In May 2011, X6D filed with the United States Patent & Trademark Office re-issue request for all three of its design patents. In June 2011, the Defendants filed a motion to stay the litigation on the ground that the patent claims were in flux due to the re-issue applications, and that the same facts applied to the validity of all of X6D's intellectual property and trade secrets claims, and all claims involved common products. X6D filed its opposition to the motion in July 2011. The Court issued its order granting the stay as to the patent claims but denying the motion as to all non-patent claims in August 2011.

During the mediation on 9 March 2012, X6D and the GDC Group reached an agreement to settle the dispute out of the Court. Although the settlement agreement was not finalised prior to the date of the consolidated financial statements of the GDC Group are authorised for issuance, once the agreement is signed, all claims between X6D and the GDC Group will be resolved.

Based on the terms of the settlement agreement, no provision for any potential liability is required to be made by the GDC Group in their consolidated financial statements.

40. OPERATING LEASES

The Group as lessor

Property rental income earned during the year was approximately HK$6,491,000 (2010: HK$5,797,000). The investment properties not classified as held for sale are expected to generate rental yield of 4.6% (2010: 3.7%) on ongoing basis. All of the properties held have committed tenants for the next one to two years.

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

	2011	2010
	HK$'000	HK$'000
Within one year	**2,338**	3,613
In the second to fifth years inclusive	**301**	1,067
	2,639	4,680

The Group as lessee

Minimum lease payments paid under operating lease in respect of office premises during the year was approximately HK$2,346,000 (2010: HK$3,024,000).

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	2010
	HK$'000	HK$'000
Within one year	**2,340**	2,340
In the second to fifth years inclusive	**2,145**	4,485
	4,485	6,825

As at 31 December 2011 and 2010, operating lease payments represent rentals payable by the Group for certain of its office premises. Leases for properties are negotiated for a term ranging from one to five years (2010: one to five years) with fixed rentals.

41. SHARE OPTIONS SCHEME

The Company operates the share option scheme (the "Scheme") for the purpose of providing incentives or rewards to eligible participants for their contributions to the Group and/or its associated companies. Eligible participants of the Scheme included Directors (including executive and non-executive Directors), executives, officers, employees or shareholders of the Company or any of its subsidiaries or any of its associated companies and any suppliers, customers, consultants, advisers, agents, partners or business associates. The Scheme became effective on 7 June 2002, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares of the Company available for issue upon exercise of all share options granted and to be granted under the Scheme must not in aggregate exceed 10% of the shares of the Company in issue at the date of approval of the refreshment of the 10% limit on grant of options under the Scheme on 6 June 2008. The maximum number of shares issued and issuable under share options to each eligible participant in the Scheme within any 12-month period up to the date of grant, is limited to 1% of the shares of the Company in issue on the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, executive or substantial shareholders of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue on the date of grant and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The period during which a share option may be exercised will be determined by the Directors at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Directors are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

41. SHARE OPTIONS SCHEME (continued)

The exercise price in relation to each share option will be determined by the Directors at their absolute discretion and shall not be less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of the share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the Scheme. The offer of share options must be accepted within 60 days from the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following table discloses the details of the share options and movements in the share options under the Scheme during the years ended 31 December 2011 and 2010:

For the year ended 31 December 2011

				Number of share options				
Category of grantees	Date of grant	Exercise period	Exercise price per share	At 1.1.2011	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At 31.12.2011
Directors	23.8.2002	23.8.2002 – 6.6.2012	HK$0.73	75	–	–	–	75
	6.3.2003	6.3.2003 – 5.3.2013	HK$0.76	604	–	–	–	604
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	40,332,000	(11,368,000)[1]	–	–	28,964,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.724	30,450,000	(7,000,000)[1]	–	–	23,450,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.54	20,000,000	–	–	–	20,000,000
Employees of the Group	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	3,700,000	–	–	–	3,700,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.54	10,920,000	–	–	(3,000,000)[2]	7,920,000
Other participants	6.3.2003	6.3.2003 – 31.12.2011	HK$0.76	1,330,000	–	–	–	1,330,000[3]
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	22,736,000	–	11,368,000[1]	–	34,104,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.724	11,500,000	–	7,000,000[1]	–	18,500,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.54	600,000	–	–	–	600,000
Total				141,568,679	(18,368,000)	18,368,000	(3,000,000)	138,568,679
Exercisable at year end								138,568,679

41. SHARE OPTIONS SCHEME (continued)

For the year ended 31 December 2010

				Number of share options						
Category of grantees	Date of grant	Exercise period	Exercise price per share	At 1.1.2010	Transferred to other category during the year	Transferred from other category during the year	Granted during the year	Exercised during the year	Lapsed during the year	At 31.12.2010
Directors	23.8.2002	23.8.2002 – 6.6.2012	HK$0.73	75	–	–	–	–	–	75
	6.3.2003	6.3.2003 – 5.3.2013	HK$0.76	604	–	–	–	–	–	604
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	63,068,000	(22,736,000)	–	–	–	–	40,332,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.724	41,950,000	(11,500,000)	–	–	–	–	30,450,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.54	–	–	–	20,000,000	–	–	20,000,000
Employees of the Group	6.3.2003	6.3.2003 – 5.3.2013	HK$0.76	1,330,000	(1,330,000)	–	–	–	–	–
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	5,900,000	–	–	–	(800,000)	(1,400,000)	3,700,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.54	–	–	–	10,920,000	–	–	10,920,000
Other participants	6.3.2003	6.3.2003 – 31.12.2011	HK$0.76	–	–	1,330,000	–	–	–	1,330,000
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	800,000	–	22,736,000	–	–	(800,000)	22,736,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.724	–	–	11,500,000	–	–	–	11,500,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.54	–	–	–	600,000	–	–	600,000
Total				113,048,679	(35,566,000)	35,566,000	31,520,000	(800,000)	(2,200,000)	141,568,679
Exercisable at year end										141,568,679

Notes:

(1) Mr. Chen Zheng resigned as a Director of the Company on 27 August 2011. The Board approved the extension of the exercise periods for his share options up to 18 January 2017 and 21 January 2018 respectively. Such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the year.

(2) The share options were held by a grantee who ceased to be an employee of the Group on 1 August 2011 and such share options lapsed on 1 September 2011 according to the terms of the Scheme.

(3) Subsequent to the year end date, such share options lapsed on 1 January 2012, being the date of expiry of the relevant option period.

HK$11 was received from employees for taking up the options granted for the year ended 31 December 2010.

The fair value of the share options determined at the date of grant using the Binomial Option Valuation pricing model was approximately HK$7,590,000.

41. SHARE OPTIONS SCHEME (continued)

The following assumptions were used to calculate the fair value of share options:

	14 December 2010
Grant date share price	HK$0.54
Exercise price	HK$0.54
Option life	10 years
Expected volatility	62.68%
Dividend yield	Nil
Risk-free interest rate	3.31%
Suboptimal exercise factor for Directors	2.05
Suboptimal exercise factor for employees	1.83

Expected volatility of the Company was determined by using the historical volatility of the Company's weekly average share prices over the past year. The expected option life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

Share-based compensation expenses in respect of grant of the share options by the Company of approximately HK$7,590,000 was included in the administrative expenses for the year ended 31 December 2010.

42. RETIREMENT BENEFIT SCHEMES

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government in the PRC, the subsidiaries in the PRC participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme.

The retirement benefit costs represent gross contributions paid and payable by the Group to the schemes operated in Hong Kong and the PRC (collectively the "Retirement Schemes"). There was no contributions payable to the Retirement Schemes at 31 December 2011 and 2010 and no forfeited contribution throughout both years.

43. RELATED PARTY TRANSACTIONS

The Group is an associate of Shougang Holding (Hong Kong) Limited ("Shougang Holding") which is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise under the direct supervision of the State Council of the PRC. Accordingly, the Company and the Group are significantly influenced by Shougang Corporation and its subsidiaries (collectively referred as "Shougang Group"). Shougang Group is part of a larger group of companies controlled under the PRC government. The transactions and balances with Shougang Group and other PRC government-related financial institutions are disclosed below:

(a) Transactions and balances with Shougang Group

	Rental income (Note a)		Trade sales (Note b)		Consultancy fee expense (Note c)		Management fee expense (Note c)	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Shougang Group	**–**	–	**692**	–	**–**	–	**–**	–
Shougang Holding	**–**	–	**–**	–	**960**	960	**–**	–
Associates of Shougang Holding	**–**	71	**785**	–	**–**	–	**840**	965
Li Shaofeng, the Chairman of the Group	**142**	71	**–**	–	**–**	–	**–**	–

Notes:

(a) The transactions were carried out in accordance with the relevant lease agreements.

(b) The transactions were carried out in accordance with the relevant sales terms.

(c) The transactions were carried out in accordance with the relevant agreements.

At 31 December 2011, the Group's held-for-trading investments included listed securities of 14,870,000 shares (2010: 13,870,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century"), and 230,000 shares (2010: 230,000 shares) of Shougang Concord International Enterprises Company Limited ("Shougang International"). Shougang Century and Shougang International are associates of Shougang Holding.

43. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions and balances with other PRC government-related entities

Apart from the transactions and balances with the Shougang Group as disclosed in Notes 43(a), the Group has entered into various transactions in its ordinary course of business including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are government-related entities. As at 31 December 2011 and 2010, 100%, 99% and 95% and 100%, 57% and 91%, respectively, of restricted bank deposits, bank balances and bank borrowings are held with these government-related financial institutions.

(c) Compensation of key management personnel

The remuneration of the Directors and other members of key management for both years were as follows:

	2011	2010
	HK$'000	HK$'000
Short-term benefits	**14,661**	23,034
Share-based payments	**–**	5,346
Post-employment benefit	**389**	467
	15,050	28,847

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

During the year ended 31 December 2010, 20,000,000 share options with an exercise price of HK$0.54 per share were granted to the Directors.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of principal subsidiaries at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered and paid-up capital (Note (a))	Effective equity interest attributable to the Group 2011	2010	Principal activities
Direct subsidiary					
SCG Investment (BVI) Limited	British Virgin Islands ("BVI")	HK$100,000	**100%**	100%	Investment holding
Indirect subsidiaries					
Concord Grand TV & Movie Investment Limited	BVI	US$1	**100%**	100%	Investment holding
Dunley Developments Limited	BVI	US$1	**100%**	100%	Investment holding
Durali Developments Limited	BVI	US$1	**100%**	100%	Investment holding
Grand Park Investment Limited	Hong Kong	HK$2	**100%**	100%	Property investment
Grand Phoenix Limited	BVI	US$1	**100%**	100%	Investment holding
Jeckman Holdings Limited	BVI	US$100	**100%**	100%	Investment holding
Linksky Limited	Hong Kong	HK$2	**100%**	100%	Property holding
Long Cosmos Investment Limited	Hong Kong	HK$2	**100%**	100%	Provision of administrative and management services
Lyre Terrace Management Limited	Hong Kong	HK$1,000,000	**100%**	100%	Investment holding and property investment

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered and paid-up capital (Note (a))	Effective equity interest attributable to the Group 2011	2010	Principal activities
Indirect subsidiaries (continued)					
On Hing Investment Company, Limited	Hong Kong	HK$1,000 (ordinary) HK$2,000,000 (non-voting deferred)	**100%** (Note (d))	100% (Note (d))	Property investment
SCG Capital Corporation Limited	Hong Kong	HK$20	**100%**	100%	Investment holding
SCG Finance Corporation Limited	Hong Kong	HK$20	**100%**	100%	Provision of financial services
SCG Financial Investment Limited	BVI	US$1,000	**100%**	100%	Investment holding
SCG Leasing Corporation Limited	Hong Kong	HK$2	**100%**	100%	Property investment
South China International Leasing Co., Ltd	PRC (Note (b))	US$24,000,000	**100%**	100%	Leasing of property, plant and equipment
Strenbeech Limited	BVI	HK$147,000,008	**100%**	100%	Investment holding
Tin Fung Investment Company, Limited	Hong Kong	HK$975,000 (ordinary) HK$210,000 (non-voting deferred)	**100%** (Note (d))	100% (Note (d))	Property investment

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered and paid-up capital (Note (a))	Effective equity interest attributable to the Group 2011	2010	Principal activities
Indirect subsidiaries (continued)					
Upper Nice Assets Ltd.	BVI	US$1	**100%**	100%	Investment holding
Valuework Investment Holdings Limited	BVI	US$100	**100%**	100%	Investment holding
悅康融滙投資咨詢(深圳)有限公司 Ecko Investment Company Limited*	PRC (Note (c))	HK$11,700,000	**100%**	100%	Investment holding
深圳市悅康融滙貿易發展有限公司 Ecko Trading Development Company Limited*	PRC (Note (c)) (Note (e))	RMB2,000,000	**90%**	–	Trading

Notes:

(a) All issued share capital are ordinary shares unless otherwise stated.

(b) This entity is sino-foreign equity joint venture.

(c) These entities are limited liability enterprises.

(d) Interests only refer to ordinary shares which are voting shares.

(e) The subsidiary was newly established in 2011.

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

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

* *For identification purpose only*

45. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2011 HK$'000	2010 HK$'000
Non-current asset		
Investment in a subsidiary	**231,154**	231,154
Current assets		
Prepayment, deposits and other receivables	**194**	193
Bank balances and cash	**88**	65
	282	258
Current liabilities		
Other payables and accruals	**102**	102
Amount due to subsidiaries, net	**85,668**	85,675
	85,770	85,777
Net current liabilities	**(85,488)**	(85,519)
Net assets	**145,666**	145,635
Capital and reserves		
Share capital	**11,522**	11,522
Reserves	**134,144**	134,113
Total equity	**145,666**	145,635

45. SUMMARY FINANCIAL INFORMATION OF THE COMPANY (continued)

Reserves

	Share premium HK$'000	Contributed surplus reserve HK$'000	Share options reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2010	559	113,441	21,976	(2,184)	133,792
Exercise of share options	448	–	(128)	–	320
Recognition of equity settled share-based payment	–	–	7,590	–	7,590
Lapse of share options	–	–	(350)	350	–
Loss for the year	–	–	–	(7,589)	(7,589)
At 31 December 2010 and 1 January 2011	1,007	113,441	29,088	(9,423)	134,113
Lapse of share options	–	–	(584)	584	–
Loss for the year	–	–	–	31	31
At 31 December 2011	**1,007**	**113,441**	**28,504**	**(8,808)**	**134,144**

PARTICULARS OF MAJOR PROPERTIES

Details of the Group's major properties at the end of the reporting period are as follows:

LOCATION	EXISTING USE	LEASE TERM	ATTRIBUTABLE INTEREST OF THE GROUP
Investment properties			
1. 16th Floor and roof and car parking space nos. 7, 8 and 9, Manson Industrial Building, S.I.L. 739 A Kung Ngam Road, A Kung Ngam, Shaukeiwan, Hong Kong	Industrial	Long	100%
2. Flat 55 on 15th Floor of Tower 8 (of Parkview Rise) and Carparking Space No.283 on Car Park Entrance 3 (Level 4) Hong Kong Parkview, No. 88 Tai Tam Reservoir Road, Tai Tam, Hong Kong	Residential	Long	100%
3. Flat 9 on 23rd Floor and Flat 7 on 25th Floor, Apartment Tower on the Western Side, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong	Residential	Long	100%
4. Flat 1612 of Block Q and Flat 2904 of Block R, Kornhill, Quarry Bay, Hong Kong	Residential	Long	100%

LOCATION		EXISTING USE	LEASE TERM	ATTRIBUTABLE INTEREST OF THE GROUP
Investment properties (continued)				
5.	Room 2907 on 29th Floor, West Tower, Shun Tak centre, Nos. 168-200 Connaught Road Central, Hong Kong	Commercial	Long	100%
6.	A space known as A35 on Ground Floor, Villa Verde, Guildford Road, The Peak, Hong Kong	Residential	Long	100%
7.	Flat 2602 of Block N, Kornhill, Quarry Bay, Hong Kong	Residential	Long	100%
Buildings				
1.	Eight Offices on 23rd Floor, Times Financial Centre, No. 4001 Shennan Road, Futian District, Shenzhen, Guangdong Province, The People's Republic of China	Commercial	Long	100%
Assets classified as held for sale				
1.	Units A and B on all of 3rd, 6th and 9th Floors and 26 car parking spaces on 4th Floor, Tin Fung Industrial Mansion, 63 Wong Chuk Hang Road, Aberdeen, Hong Kong	Industrial	Long	100%

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2007 HK$'000 (Restated)	2008 HK$'000 (Restated)	2009 HK$'000 (Restated)	2010 HK$'000	**2011 HK$'000**
RESULTS					
Continuing operations					
Revenue	22,833	135,169	109,247	57,147	**67,505**
Cost of sales	(16,513)	(105,165)	(69,918)	(31,653)	**(44,012)**
Gross profit	6,320	30,004	39,329	25,494	**23,493**
Other income	5,152	2,321	528	2,590	**5,487**
Interest income from entrusted loan receivables	–	3,674	3,882	307	**12**
Distribution costs and selling expenses	–	(2,579)	(2,589)	(928)	**(2,044)**
Administrative expenses	(43,632)	(44,805)	(35,660)	(37,695)	**(48,425)**
Impairment loss on finance lease receivables	–	–	–	(21,201)	**(8,225)**
Finance costs	(4,285)	(4,083)	(2,958)	(2,649)	**(2,100)**
Share of results of associates	7,553	–	–	(16,388)	**166,521**
Impairment loss on interests in an associate	–	–	–	–	**(66,994)**
Increase (decrease) in fair value of investment properties	25,860	(15,960)	24,961	38,140	**65,055**
Discount on acquisition of additional interest in a subsidiary	–	–	2,154	–	**–**
(Loss) profit on disposal of partial interests in an associate	–	–	–	1,358	**(6,883)**
Changes in fair value of held-for-trading investments	8,232	(37,080)	16,814	(282)	**(10,441)**
Profit (loss) before tax	5,200	(68,508)	46,461	(11,254)	**115,456**
Income tax expense	(1,479)	(2,689)	(6,021)	(4,204)	**(2,062)**
Profit (loss) for the year from continuing operations	3,721	(71,197)	40,440	(15,458)	**113,394**
Discontinued operations					
Profit (loss) for the year from discontinued operations	437,492	(86,552)	18,099	135,233	**–**
Profit (loss) for the year	441,213	(157,749)	58,539	119,775	**113,394**
Attributable to:					
Owners of the Company	425,661	(119,446)	38,696	29,848	**113,381**
Minority interests/Non-controlling interests	15,552	(38,303)	19,843	89,927	**13**
	441,213	(157,749)	58,539	119,775	**113,394**

FIVE-YEAR FINANCIAL SUMMARY

	As at 31 December				
	2007 HK$'000 (Restated)	2008 HK$'000 (Restated)	2009 HK$'000 (Restated)	2010 HK$'000	**2011** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	2,566,391	2,418,299	2,108,075	1,373,460	**1,571,397**
Total liabilities	(1,598,035)	(1,547,125)	(1,210,703)	(669,049)	**(736,746)**
	968,356	871,174	897,372	704,411	**834,651**
Equity attributable to owners of the Company	635,814	551,644	608,995	703,750	**833,923**
Share options reserve of subsidiaries	55,249	54,603	33,120	-	**–**
Minority interests/Non-controlling interests	277,293	264,927	255,257	661	**728**
	968,356	871,174	897,372	704,411	**834,651**