HONG KONG FERRY (HOLDINGS) CO. LTD.
香港小輪（集團）有限公司

（Stock code 股份代號：00050）

Annual Report 年報
2011

5 years+
商界展關懷
caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

5 years+ 商界展關懷

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香港社會服務聯會頒發

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Corporate Information

Board of Directors

Executive Directors:

Mr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning

Non-Executive Directors:

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie
Dr. the Hon. Lee Shau Kee
Mr. Leung Hay Man
Mr. Wong Man Kong, Peter

Independent Non-Executive Directors:

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

Audit Committee

Mr. Ho Hau Chong, Norman *(Chairman)*
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

Remuneration Committee

Mr. Wu King Cheong *(Chairman)*
Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Lam Ko Yin, Colin
Mr. Li Ning

Nomination Committee

Mr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning
Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

Group General Manager

Ir. Dr. Ho Chi Shing, David

Company Secretary

Mr. Yuen Wai Kuen, Peter

Auditor

KPMG

Principal Bankers

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd. Hong Kong Branch
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Wing Hang Bank, Limited

Registered office

98 Tam Kon Shan Road
Ngau Kok Wan
North Tsing Yi
New Territories
Hong Kong

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Internet : http://www.hkf.com
E-Mail : hkferry@hkf.com

Hong Kong Stock Exchange Stock Code

00050

Share Registrars

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

Directors' & Senior Management's Profile

DIRECTORS' PROFILE

Mr. Lam Ko Yin, Colin, *FCILT, FHKIoD*, aged 60, appointed on 1 July 1986, is the Chairman of the Company. Mr. Lam has over 38 years' experience in banking and property development. He is also the Vice-Chairman of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, a Director of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is also a director of Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company. Mr. Lam is a member of the Court of The University of Hong Kong, a Director of The University of Hong Kong Foundation for Educational Development and Research Limited and a Director of Fudan University Education Development Foundation. Mr. Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008. Mr. Lam is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors.

Mr. Lam Ko Yin, Colin
Chairman

Mr. Li Ning, *BSc, MBA,* aged 55, appointed on 20 October 1989, is an Executive Director of the Company. He is also an Executive Director of Henderson Land Development Company Limited ("Henderson Land") and an Independent Non-executive Director of Glencore International plc, both of which are listed public companies. He previously served as an executive director of Henderson Investment Limited, a listed company, until his retirement on 1 June 2010. Henderson Land has discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company. Mr. Li is the son-in-law of Dr. Lee Shau Kee, a Director of the Company.

Mr. Li Ning

Mr. Au Siu Kee, Alexander

Mr. Au Siu Kee, Alexander, *OBE, ACA, FCCA, FCPA, AAIA, FCIB, FHKIB,* aged 65, was appointed as an Independent Non-Executive Director on 17 January 2005 and re-designated as a Non-Executive Director of the Company on 7 November 2005. Mr. Au was a well-known banker in Hong Kong and had more than 33 years' experience in local and international banking business, having been the Chief Executive of Hang Seng Bank Limited (from October 1993 to March 1998) and of Oversea-Chinese Banking Corporation Limited in Singapore (from September 1998 to April 2002). Besides, he was an executive director and the chief financial officer of Henderson Land Development Company Limited ("Henderson Land") for the period from December 2005 to June 2011. Mr. Au is currently a non-executive director of Henderson Land, an independent non-executive director of Wheelock and Company Limited and a non-executive director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. He is the chairman and non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Esate Investment Trust. He is also a member of the Court of The Hong Kong University of Science and Technology. An accountant by training, Mr. Au is a Chartered Accountant as well as a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Henderson Land has discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company.

Mr. Lau Yum Chuen, Eddie

Mr. Lau Yum Chuen, Eddie, aged 65, appointed on 5 May 1988, is a Non-Executive Director of the Company. He has over 40 years of experience in banking, finance and investment. He is also an Executive Director of Henderson Land Development Company Limited ("Henderson Land") and a Director of Miramar Hotel and Investment Company, Limited, both of which are listed public companies. He previously served as an executive director of Henderson Investment Limited, a listed public company, until his retirement on 9 June 2011. Henderson Land has discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company.

Dr. the Hon. Lee Shau Kee, *GBM, DBA(Hon), DSSc(Hon), LLD(Hon),* aged 83, appointed on 15 December 1981, is a Non-Executive Director of the Company. He has been engaged in property development in Hong Kong for more than 55 years. He is the founder and the Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land") and Henderson Investment Limited, the Chairman of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited, the Vice-Chairman of Sun Hung Kai Properties Limited, as well as a Director of The Bank of East Asia, Limited, all of which are listed public companies. He is also a director of Pataca Enterprises Limited ("Pataca"), Wiselin Investment Limited ("Wiselin"), Henderson Development Limited ("Henderson Development"), Graf Investment Limited ("Graf"), Mount Sherpa Limited ("Mount"), Paillard Investment Limited ("Paillard"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"). Henderson Land, Pataca, Wiselin, Henderson Development, Graf, Mount, Paillard, Hopkins, Rimmer and Riddick have discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company. Dr. Lee is the father-in-law of Mr. Li Ning, a Director of the Company.

Dr. The Hon. Lee Shau Kee

Mr. Leung Hay Man, *FRICS, FHKIS, FCIArb, MCILT,* aged 77, appointed on 15 December 1981, is a Non-Executive Director of the Company. He is a Chartered Surveyor. Mr. Leung is also a Director of Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment Limited and The Hong Kong and China Gas Company Limited, all of which are listed public companies. Henderson Land has discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company.

Mr. Leung Hay Man

Mr. Wong Man Kong, Peter

Mr. Wong Man Kong, Peter, *BBS, JP, BSc, FCILT, MRINA,* aged 63, appointed on 9 March 1992, is a Non-Executive Director of the Company. Mr. Wong was the President & Chief Executive Officer of the Company from 1992 to 1995. Mr. Wong has over 39 years of industrial, commercial and public service experience, having served as Director of Kowloon-Canton Railway Corporation and a member in Hong Kong Government's Transport Advisory Board, Industry Development Board and Trade Advisory Board. He was also a member of the Hong Kong Special Administrative Region Preparatory Committee in 1996/1997 and a member of the Election Committee of the Second Chief Executive of the Hong Kong Special Administrative Region in 2002. He is serving as a deputy to the 11th National People's Congress of the People's Republic of China. Mr. Wong is the Chairman of M.K. Corporation Limited and North West Development Limited. Currently he holds directorship of Glorious Sun Enterprises Limited, China Travel International Investment Hong Kong Limited, Chinney Investments Limited, Sun Hung Kai & Company Limited, Sino Hotels (Holdings) Limited, Far East Consortium International Limited and New Times Group Holdings Limited, all of which are listed public companies.

Mr. Ho Hau Chong, Norman

Mr. Ho Hau Chong, Norman, *BA, ACA, FCPA,* aged 56, appointed on 28 March 1995, is an Independent Non-Executive Director of the Company. Mr. Ho is a member of the Institute of Chartered Accountants in England and Wales, and a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Ho is an Executive Director of Honorway Investments Limited and Tak Hung (Holding) Company Limited and has over 20 years of experience in management and property development. He is also a Director of Lee Hing Development Limited, Miramar Hotel and Investment Company, Limited, Starlight International Holdings Limited, Vision Values Holdings Limited and Shun Tak Holdings Limited, all of which are listed public companies. He was previously a director of Taifook Securities Group Limited. Mr. Ho previously served as a director of CITIC Pacific Limited, a listed public company until 12 May 2011.

Ms. Wong Yu Pok, Marina, *JP,* aged 63, appointed on 8 May 2008, is an Independent Non-Executive Director of the Company. Ms. Wong joined PricewaterhouseCoopers in 1968 and was responsible for the development of the firm's business in Mainland China since 1980. After her retirement as a partner from PricewaterhouseCoopers in July 2004, she joined Tricor Services Limited as a director from September 2004 to February 2006. Ms. Wong is a member of a number of Government advisory and other bodies in Hong Kong, including the Advisory Committee on Post-service Employment of Civil Servants, the Review Panel of the Pilot Project on Child Fatality Review of the Social Welfare Department, the Broadcasting Authority and is a director of The Applied Research Council. She is also a special appointed representative from Hong Kong SAR to the All China Women's Federation and an Executive Committee Member of the All China Federation of Industries and Commerce. Ms. Wong is the Vice-Chairman of the Hong Kong Federation of Women, a director of China Tibetan Children Health & Education Fund and a director of The Child Development Centre at Matilda. An accountant by training, Ms. Wong is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Fellow of the Association of Chartered Certified Accountants. She is also an Independent Non-Executive Director of Kerry Properties Limited, a listed public company in Hong Kong and an independent director of China World Trade Center Co. Ltd which is listed on the Shanghai Stock Exchange.

Ms. Wong Yu Pok, Marina

Mr. Wu King Cheong, *BBS, JP,* aged 61, was appointed as an Independent Non-Executive Director of the Company on 17 January 2005. He is a Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Ltd. He is an executive director of Lee Cheong Gold Dealers Ltd. Mr. Wu is currently an independent non-executive director of Yau Lee Holdings Limited, Henderson Land Development Company Limited ("Henderson Land"), Henderson Investment Limited and Miramar Hotel and Investment Company, Limited, all of which are companies listed on The Stock Exchange of Hong Kong Limited. Mr. Wu previously served as an independent non-executive director of Chevalier Pacific Holdings Limited, a listed public company, until 27 October 2011. Henderson Land has discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company. Mr. Wu was awarded an Honorary Fellowship by Lingnan University in 2009.

Mr. Wu King Cheong

Senior Management's Profile

The Senior Management of the Company is as follows:

Ir. Dr. Ho Chi Shing, David	Group General Manager and General Manager – Ferry and Property Operations
Mr. Fan Chi Ming, Paul	General Manager – Travel & Cruise Operations
Mr. Leung Shu Keung, Brian	Internal Audit Manager
Mr. Tse Chuen Chi, Pollux	Chief Financial Officer
Mr. Yuen Wai Kuen, Peter	Company Secretary

Ir. Dr. Ho Chi Shing, David, *DBA, FCILT, FCIM, FHKIoD, MHKIE, MPIA, MCIArb,* aged 55, joined the Company in 1981 and has been the Group General Manager since 1996. He has over 30 years of experience in ferry operations. Dr. Ho is currently the Chairman of the Logistics Industry Training Advisory Committee, a Director of The Shipowners' Mutual Protection & Indemnity Association (Luxembourg), a Council Member of the Chartered Institute of Logistics and Transport in Hong Kong, the Chairman of Adventure-Ship, a member of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications, a member of the Standing Committee on Language Education and Research and a member of the Safety Committee of Outward Bound® Hong Kong. Dr. Ho has been extensively involved in works of the Vocational Training Council and was awarded VTC Honorary Fellow Award in 2007. He serves as the Chairman of the Transport Logistics Training Board (until 31 March 2012) and the Chairman of the Discipline Advisory Board (Business Administration). Dr. Ho is also a General Committee Member and the Chairman of the Transport and Logistics Services Council of the Federation of Hong Kong Industries. He has been appointed as adjunct professor at the College of Business of City University of Hong Kong.

Mr. Fan Chi Ming, Paul, *BCS, DMS, MBA,* aged 63, joined the Company as Head of Group Business Development in 2010. He has been the General Manager of the travel and cruise operations since 2011. He has previously worked in Hong Kong Trade Development Council and has over 21 years of extensive experience in China trade and business promotion.

Mr. Leung Shu Keung, Brian, *BA, CIA, CFE, CBM, PgD,* aged 50, is the Internal Audit Manager of the Company. He joined the Company in 1992 and has over 22 years of experience in accounting, auditing and management assurance.

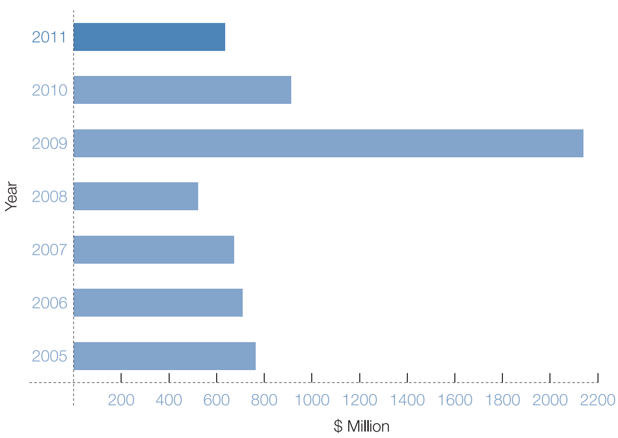
Mr. Tse Chuen Chi, Pollux, *MBA, CPA, FAIA, MHKSI,* aged 58, has been the Chief Financial Officer of the Company since 1992. Mr. Tse has over 30 years of experience in accounting, corporate finance and corporate development in Hong Kong and overseas.

Mr. Yuen Wai Kuen, Peter, *BA, MBA, ACIS, ACS, FFA* aged 53, has joined the Company in January 2005 and been appointed Secretary of the Company on 1 April 2005. Mr. Yuen has over 20 years of experience in company secretarial, corporate advisory and general management.

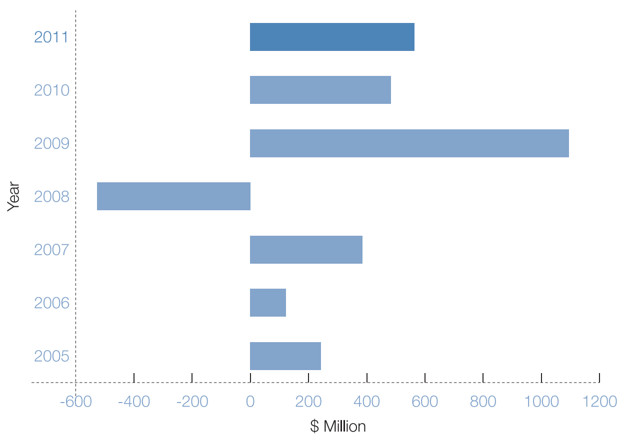
Financial Highlights

		2011	2010	Variance
Turnover	$M	**635**	912	-30.4%
Profit attributable to shareholders	$M	**565**	483	17.0%
Dividends	$M	**128**	128	—
Shareholders' funds	$M	**4,729**	4,425	6.9%
Basic earnings per share	$	**1.59**	1.36	17.0%
Dividend per share	Cent	**36.0**	36.0	—
Dividend cover	Time	**4.4**	3.8	15.8%
Return on equity	%	**12.0**	10.9	10.1%
Net assets per share	$	**13.3**	12.4	7.3%

Group Turnover



Profit/(loss) attributable to shareholders



Chairman's Statement

I am pleased to present to the shareholders my report on the operations of the Group for the year.

"The Spectacle" 8 Cho Yuen Street

Business Results

The Group's consolidated profit after taxation for the year ended 31 December 2011 amounted to approximately HK$565 million, an increase of 17% as compared with the profit after taxation of HK$483 million in 2010. The earnings per share this year were HK$1.59 compared with the earnings per share of HK$1.36 in the previous year.

Dividends

The Board of Directors recommends a final dividend of HK26 cents per share. Subject to shareholders' approval at the annual general meeting to be held on Friday, 18 May 2012, the final dividend will be paid on or about Friday, 1 June 2012 to equity shareholders whose names appear on the register of members at the close of business on Wednesday, 23 May 2012. This final dividend, together with the interim dividend of HK10 cents per share already paid, will make a total distribution of HK36 cents for the full year.

Business Review

For the year under review, profit for the Group was mainly derived from the disposal of the Silvermine Beach Hotel, the sale of the residential units of Shining Heights and The Spectacle and the surplus from the revaluation of investment properties.

Property Development and Investment Operations

The Group sold 30 units in The Spectacle and 7 units in Shining Heights which accounted for a total profit of approximately HK$156 million for the year under review. A profit of HK$37 million was derived from the disposal of certain units of the commercial arcade of MetroRegalia. Rental and other income from the commercial arcade of the Group amounted to approximately HK$50 million. The occupancy rate of the commercial arcade at Shining Heights was 93%. The commercial arcade of Metro Harbour View was fully let and rental income was satisfactory.

Hong Kong Shipyard

Harbour Cruise — Bauhinia

During the year, the foundation works of the development project at Fanling Sheung Shui Town Lot No.177 ("Fanling project") have been completed. Superstructure works are in progress. The property will be developed into three residential towers built on a two storey shopping podium mall with a total gross floor area of approximately 540,000 sq.ft. The Group expects the residential units of the project to be sold in the second half of this year.

As regards the project at 204–214 Tung Chau Street ("Tung Chau Street project"), demolition works have been done and superstructure works will commence at the end of the year. The project will be re-developed into a commercial-cum-residential building with a total gross floor area of approximately 54,000 sq.ft.

The Group acquired the site at the junction of Gillies Avenue South and Bulkeley Street Hung Hom Inland Lot No.555 ("Hung Hom project") in 2011. Foundation works will commence upon the completion of demolition works. The project will be developed into a residential-cum-commercial building with a total gross floor area of approximately 56,000 sq.ft.

Ferry, Shipyard and Related Operations

During the year, the Harbour Cruise operations achieved profits of HK$4.7 million, representing a 15% increase over that of last year. Ferry operations recorded a profit of HK$4.7 million, a decrease of 36% as compared with the profit for last year. Due to the provision for bad debts and the increased operating costs incurred on annual drydock of the ferries, the Ferry, Shipyard and Related Operations recorded a profit of only HK$5.5 million, a decrease of 44% as compared with the same period of last year.

Travel and Hotel Operations

During the year under review, the Group achieved a profit of HK$245 million upon the disposal of Silvermine Beach Hotel. The Travel Operations Division had a satisfactory performance registering an increase of 29% in its operating profit as compared with that for last year.

Securities Investment

Due to the drop of the Hang Seng Index, an impairment loss of HK$45 million was recorded in the Group's available-for-sale securities investment during the year.

Prospects

In order to resolve the Eurozone debt crisis, the European Central Bank has extensively increased credit financing and provided three-year low interest financing to certain banks in Europe. Due to the fragile US economy, the Federal Reserve has pledged to maintain the ultra low interest rate till the end of 2014. Under the credit easing policy, the economies of the United States and Europe have gradually stabilized. China has just announced its target GPD growth rate of 7.5% for 2012. This demonstrates the aggressive yet realistic policies of the Chinese Government. The Hong Kong economy has continued to grow partly because of increased spending by Mainland visitors in Hong Kong and partly because of the prevailing low interest environment.

The Group expects the property market in Hong Kong to resume steady growth in the coming year. The demand for small and medium size residential units is still robust. The sales proceeds from the Fanling project and the remaining units of Shining Heights and The Spectacle are expected to be the main sources of revenue for the Group. The Group has abundant cash reserves which will allow the Group to seize opportunities in the acquisition of suitable land put up by the Government for disposal in future.

Acknowledgement

On behalf of the shareholders and the Board, I would like to take this opportunity to express appreciation to all our staff for their dedication and hard work during the year.

Colin K. Y. Lam
Chairman

Hong Kong, 20 March 2012

Management Discussion and Analysis

Shining Heights

The Spectacle

The following comments should be read in conjunction with the Audited Consolidated Accounts of the Company and the related notes to the accounts.

Review of Results

The Group's turnover for the year amounted to approximately HK$635 million, representing a decrease of 30% when compared to the previous year. This was mainly attributed to the decrease in the sales of the Shining Heights and The Spectacle.

Liquidity, Financial Resources and Capital Structure

As of 31 December 2011, shareholders' fund of the Group showed an increase of 7% as compared to the previous year and amounted to approximately HK$4,729 million. The increase was mainly due to net effect of the disposal of the Silvermine Beach Hotel and the payment of dividends.

There was no change as to the capital structure of the Group during the year. Funding for the Group's activities in the year under review was mainly generated from the sale of residential units of Shining Heights and The Spectacle.

During the year, there was no material acquisition and disposal of subsidiary and associate. A net repayment of approximately HK$15.6 million was received from an associate who provided mortgage loans to buyers of residential units of Metro Harbour View.

Current assets of the Group were recorded at approximately HK$3,168 million as compared to the current liabilities of approximately HK$207 million as of 31 December 2011. Current ratio of the Group had been increased to 15.3, mainly attributed to the increase in inventories, and reduction in cash and trade and other payables.

Gearing Ratio and Financial Management

As there was no borrowing as at 31 December 2011, no gearing ratio, which is calculated on the basis of bank borrowing as a ratio of the Group's shareholders' fund, was shown. Assets of the Group had not been charged to any third parties in the year under review.

The Group's financing and treasury activities were managed centrally at the corporate level. Financing facilities extended to the Group were denominated in Hong Kong dollar and United States dollar. Certain deposits are denominated in Australian dollar and Renminbi, and the incidental foreign exchange exposures are kept under periodic review. The management will consider appropriate hedging measures, if necessary.

Employees

As at 31 December 2011, the number of employees of the Group stood at about 310 (2010: 360). The remuneration packages to employees were commensurable to the market trend and levels of pay in similar industries. A discretionary year-end bonus was paid to employees based on individual performance. Other benefits to employees included medical insurance, retirement scheme, training programmes and educational subsidies. Total employees' costs for the year amounted to approximately HK$81.6 million, which was commensurate with that recorded in the previous year.

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31 December 2011.

Principal Place of Business

Hong Kong Ferry (Holdings) Company Limited (the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 98 Tam Kon Shan Road, Ngau Kok Wan, North Tsing Yi, New Territories, Hong Kong.

Principal Activities

The principal activities of the Company is investment holding and the principal activities of its subsidiaries are property development, property investment, ferry and related businesses, travel businesses and hotel operations and securities investment.

The analysis of the principal activities of the Company and its subsidiaries (the "Group") during the financial year are set out in note 3 to the accounts.

Major Customers and Suppliers

The information in respect of the Group's purchases attributable to the major suppliers during the financial year is as follows:

	Percentage of the Group's total purchases
The largest supplier	10.5%
Five largest suppliers in aggregate	15.8%

No analysis in respect of the Group's major customers is shown as the percentages of turnover attributable to the Group's five largest customers is less than 30%.

Apart from the foregoing, at no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Subsidiaries

Details of the principal subsidiaries at 31 December 2011 are set out in note 15 to the accounts.

Accounts and Dividends

The profit of the Group for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 34 to 101.

An interim dividend of HK10 cents (2010: HK10 cents) per share was paid on 29 September 2011. The directors now recommend the payment of a final dividend of HK26 cents (2010: HK26 cents) per share in respect of the year ended 31 December 2011. Subject to the shareholders' approval at the annual general meeting to be held on Friday, 18 May 2012, the final dividend will be paid on or about Friday, 1 June 2012 to shareholders whose names appear on the register of members at the close of business on Wednesday, 23 May 2012.

Charitable Donations

The Group's charitable donations during the year amounted to HK$7,439 (2010: HK$18,241).

Fixed Assets

Movements in fixed assets during the year are set out in note 14 to the accounts.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 26(b) to the accounts.

Directors

The directors of the Company during the financial year were:

Executive directors

Mr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning

Non-executive directors

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie
Dr. the Hon. Lee Shau Kee
Mr. Leung Hay Man
Mr. Wong Man Kong, Peter

Independent non-executive directors

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Lam Ko Yin, Colin, Mr. Au Siu Kee, Alexander, Dr. Lee Shau Kee and Mr. Leung Hay Man shall retire at the forthcoming annual general meeting, and, being eligible, offer themselves for re-election as directors.

The Company has received from each independent non-executive director an annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules and the Company considered all of them to be independent.

Biographical Details of Directors and Senior Management

The biographical details of Directors and Senior Management are set out on pages 3 to 8.

Directors' Remuneration

Details of directors' remuneration are set out in note 8 to the accounts.

Directors' Interest in Contracts

Except for the "Connected Transactions" as disclosed in this report, no other contract of significance, to which the Company or any of its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Directors' Service Contracts

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

Disclosure of Interests

Directors' Interests in Securities

As at 31 December 2011, the interests of the directors in securities of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register of directors' and chief executives' interests and short positions maintained under section 352 of the SFO were as follows:

Interests

	THE COMPANY				
	Personal Interests Number of Shares	**Corporate Interests** Number of Shares	**Family Interests** Number of Shares	**Total Interests** Number of Shares	**Approximate percentage of total issued shares**
Mr. Lam Ko Yin, Colin	150,000	—	—	150,000	0.04%
Mr. Au Siu Kee, Alexander	—	—	—	—	0.00%
Mr. Ho Hau Chong, Norman	3,313,950	—	—	3,313,950	0.93%
Mr. Lau Yum Chuen, Eddie	—	—	—	—	0.00%
Dr. Lee Shau Kee	7,799,220	111,732,090 (Note 6 on page 20)	—	119,531,310	33.55%
Mr. Leung Hay Man	2,250	—	—	2,250	0.00%
Mr. Li Ning	—	—	111,732,090 (Note 5 on page 20)	111,732,090	31.36%
Mr. Wong Man Kong, Peter	1,051,000	—	—	1,051,000	0.29%
Ms. Wong Yu Pok, Marina	—	—	—	—	0.00%
Mr. Wu King Cheong	—	—	—	—	0.00%

	2OK COMPANY LIMITED	
	Corporate Interests Number of Shares	**Family Interests** Number of Shares
Dr. Lee Shau Kee (Note 1)	5	—
Mr. Li Ning (Note 2)	—	5

	WINWIDE LIMITED	
	Corporate Interests Number of Shares	**Family Interests** Number of Shares
Dr. Lee Shau Kee (Note 3)	70	—
Mr. Li Ning (Note 4)	—	70

Notes:

1. These 5 shares representing 50% equity interest in 2OK Company Limited (an associated company in which the Company through a subsidiary owned the remaining 50% interest) were beneficially owned by wholly-owned subsidiaries of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") beneficially owned more than one-third of the issued share capital in HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares which carried the voting rights in the share capital of HD. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in these 5 shares in 2OK Company Limited.

2. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 5 shares in 2OK Company Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

3. These 70 shares representing 70% equity interest in Winwide Limited (an associated company in which the Company through a subsidiary owned the remaining 30% interest) were beneficially owned by a company in which HLD had a 40% interest. HD beneficially owned more than one-third of the issued share capital in HLD. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in the Unit Trust. Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares which carried the voting rights in the share capital of HD. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in these 70 shares in Winwide Limited.

4. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 70 shares in Winwide Limited as Mr. Li's spouse was one of the discretionary beneficiaries of the two discretionary trusts holding units in the Unit Trust.

Other than as stated above, no directors or chief executives of the Company had any interest or short position, whether beneficial or non-beneficial, in the shares (in respect of positions held pursuant to equity derivatives), underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2011.

Substantial Shareholders and Others

As at 31 December 2011, the interests in ordinary shares of the Company of every person as recorded in the register required to be kept under Section 336 of the SFO were as follows:

	No. of shares in which interested	Approximate percentage of total issued shares
Substantial Shareholders		
Henderson Land Development Company Limited (Note 1)	111,732,090	31.36%
Pataca Enterprises Limited (Note 1)	70,200,000	19.70%
Wiselin Investment Limited (Note 2)	41,532,090	11.66%
Max-mercan Investment Limited (Note 2)	41,532,090	11.66%
Camay Investment Limited (Note 2)	41,532,090	11.66%
Henderson Development Limited (Note 3)	111,732,090	31.36%
Hopkins (Cayman) Limited (Note 4)	111,732,090	31.36%
Rimmer (Cayman) Limited (Note 4)	111,732,090	31.36%
Riddick (Cayman) Limited (Note 4)	111,732,090	31.36%
Mr. Li Ning (Note 5)	111,732,090	31.36%
Dr. Lee Shau Kee (Note 6)	119,531,310	33.55%
Persons other than Substantial Shareholders		
Graf Investment Limited (Note 1)	23,400,000	6.57%
Mount Sherpa Limited (Note 1)	23,400,000	6.57%
Paillard Investment Limited (Note 1)	23,400,000	6.57%

Notes:

All shares referred to below, unless otherwise stated, form part of the same parcel of 111,732,090 shares.

1. These 111,732,090 shares were beneficially owned by some of the subsidiaries of Henderson Land Development Company Limited ("HLD"). Of these 111,732,090 shares, 70,200,000 shares were owned by some of the subsidiaries (viz., Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, each of which owned 23,400,000 shares) of Pataca Enterprises Limited, which was itself a subsidiary of HLD.

2. These 41,532,090 shares, which constitute part of the said 111,732,090 shares, were beneficially owned by Wiselin Investment Limited which was a subsidiary of Max-mercan Investment Limited. Max-mercan Investment Limited was a subsidiary of Camay Investment Limited ("Camay") which in turn was a subsidiary of HLD.

3. These 111,732,090 shares are duplicated in the interests described in Notes 1 and 2. Henderson Development Limited ("HD") beneficially owned more than one-third of the issued share capital in HLD which was, in turn, the holding company of Camay.

4. These 111,732,090 shares are duplicated in the interests described in Notes 1, 2 and 3. Rimmer (Cayman) Limited and Riddick (Cayman) Limited as trustees of respective discretionary trusts held units in a unit trust (the "Unit Trust"). Hopkins (Cayman) Limited as trustee of the Unit Trust owned all the issued ordinary shares, which carry the voting rights in the share capital of HD.

5. By virtue of the SFO, Mr. Li Ning was taken to be interested in these 111,732,090 shares as Mr. Li's spouse was one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust. These 111,732,090 shares are duplicated in the interests described in Notes 1, 2, 3 and 4.

6. Dr. Lee Shau Kee beneficially owned all the issued share capital of Rimmer (Cayman) Limited, Riddick (Cayman) Limited and Hopkins (Cayman) Limited. By virtue of the SFO, Dr. Lee Shau Kee was taken to be interested in 111,732,090 shares which are duplicated in the interests described in Notes 1, 2, 3 and 4. Together with his personal shareholding of 7,799,220 shares, Dr. Lee Shau Kee was taken to be interested in 119,531,310 shares (approximately 33.55 per cent of the total issued share capital of the Company) as at 31 December 2011.

Save as disclosed, as at 31 December 2011, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company.

Reserves

Movements in reserves during the year are set out in note 26(a) to the accounts.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Arrangement to Purchase Shares, Warrants, Options or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors or chief executive of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares, options, debentures or warrants of the Company or any other body corporate.

Bank Overdraft

Particulars of bank overdraft of the Group as at 31 December 2011 are set out in note 23 to the accounts.

Financial Summaries

The five years' summary of assets and liabilities and ten years' financial summary of the Group are set out on pages 102 to 104.

Group Properties

A summary of the Group's properties is set out on pages 105 to 107.

Retirement Plans

The Group's Hong Kong employees participate either in a defined benefit retirement scheme or a Mandatory Provident Fund scheme. Particulars of these retirement plans are set out in note 18 to the accounts.

Connected Transactions

Pursuant to the transactions and arrangements entered into by the Group with persons who are connected persons for the purposes of the Listing Rules, the Group recorded the transactions as described in note 31 to the accounts.

During the year ended 31 December 2011, the Company and/or its subsidiaries had entered into certain continuing connected transactions, with details below, which were subject to the annual review and reporting requirements under Chapter 14A of the Listing Rules.

	Date	Connected Persons	Transactions
1.	15 March 2011	Henderson Real Estate Agency Limited ("HREAL"), a wholly owned subsidiary of Henderson Land Development Company Limited ("HLD")	The Group entered into the Fanling Project Management Agreement with HREAL for appointing HREAL as the project manager of the development of Fanling Sheung Shui Inland Lot No. 177 (the "Fanling Property").
2.	15 March 2011	Heng Lai Construction Company Limited ("Heng Lai"), a wholly-owned subsidiary of HLD	The Group entered into the Fanling Prime Cost Contract with Heng Lai for appointing Heng Lai as the main contractor of the Fanling Property.
3.	15 March 2011	HREAL	The Group entered into the TCS Project Management Agreement with HREAL for appointing HREAL as the project manager of the development of No. 204–214, Tung Chau Street, Sham Shui Po, Kowloon, Hong Kong (the "TCS Property").
4.	15 March 2011	Heng Tat Construction Company Limited ("Heng Tat"), a wholly-owned subsidiary of HLD	The Group entered into the TCS Prime Cost Contract with Heng Tat for appointing Heng Tat as the main contractor of the TCS Property.
5.	5 July 2011	Citistore (Hong Kong) Limited ("Citistore"), a wholly-owned subsidiary of HLD	The Group (by HREAL) as agent for it, entered into with Citistore: (i) the Tenancy Renewal Agreement for renewing the tenancy of Shop Nos. G01, Portion of G31, G35–G50, Portion of G51, Portion of G52, G63–G74 and corridors and atrium on Ground Floor, and Shop Nos. 127–161 and corridors and toilets on Level 1, Metro Harbour Plaza ("MHP"), Tai Kok Tsui, Kowloon, Hong Kong. (ii) the Wall Signage Licence Agreement for licencing to Citistore 14 external wall signages at MHP. (iii) the Entrance Signage Licence Agreement for licencing to Citistore a signage at the entrance of MHP. The Tenancy Renewal Agreement, the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement are for a term of three years commencing from 1 July 2011.

Details of the above continuing connected transactions are set out in note 31 to the accounts.

The independent non-executive directors of the Company have reviewed and confirmed that the above continuing connected transactions have been entered into (i) in the ordinary and usual course of the business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company have also confirmed to the Board in writing that the above continuing connected transactions (i) have received the approval of the board of directors of the Company; (ii) have been entered into in accordance with the relevant agreements governing the transactions; and (iii) have not exceeded the cap disclosed in the previous announcements.

Corporate Governance

The Company is committed to maintaining the high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 24 to 31.

Audit Committee

The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2011.

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

Auditor

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the board

Colin K.Y. Lam
Chairman

Li Ning
Director

Hong Kong, 20 March 2012

Corporate Governance Report

Corporate Governance Practices

The Company is committed to maintaining high standard of corporate governance. The Board of Directors ("the Board") is devoted to the ongoing enhancement of the corporate governance practices of the Company as the Board believes that good corporate governance practices are fundamental to the effective operation of a company and enhancement of shareholders' value as a whole.

The corporate governance standard of the Company is formulated in compliance with the provisions of the Code of Corporate Governance Practice (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Board will continue to review and update the practices from time to time to ensure compliance with the legal and commercial standards. In the opinion of the Board, the Company has complied with the CG Code during the year ended 31 December 2011.

Board of Directors

The Board comprises ten directors including two executive directors, five non-executive directors and three independent non-executive directors. Their biographical details are set out on pages 3 to 7 of this annual report. The names of the directors of the Company are as follows:

Executive directors:

Mr. Lam Ko Yin, Colin *(Chairman)*
Mr. Li Ning

Non-executive directors:

Mr. Au Siu Kee, Alexander
Mr. Lau Yum Chuen, Eddie
Dr. Lee Shau Kee
Mr. Leung Hay Man
Mr. Wong Man Kong, Peter

Independent non-executive directors:

Mr. Ho Hau Chong, Norman
Ms. Wong Yu Pok, Marina
Mr. Wu King Cheong

The functions reserved to the Board are basically provided by the Articles of Association of the Company and the Board will from time to time delegate the functions to the management whenever required. The Board is primarily responsible for the strategic planning and policy formulation of the Company. Several material matters are reserved for the Board's considerations and/or decisions including, among other things, overall strategy of the Company; business plans; annual financial budgets; annual and interim results and reports; dividend policy and payments; investment plans; disposal proposals; appointment of directors, oversight of management and review of the effectiveness of the internal control system including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their respective training programmes and budget. The management of the Company is responsible for the day-to-day operations of the Company and implementation of strategies adopted by the Board.

The Board meets from time to time according to the business requirement of the Company. During the year, six board meetings were held to review financial results and business development. In order to meet tight time constraint and make timely decision for the Company's policies and businesses, Board approvals have also been sought by circulation of resolutions in writing from time to time in accordance with the Articles of Association of the Company. The Company Secretary shall attend all regular board meetings to advise on statutory compliance and corporate governance, when necessary.

Dr. Lee Shau Kee and Mr. Li Ning are deemed as having substantial interests in the issued share capital of the Company under the Securities and Futures Ordinance. Dr. Lee is the father-in-law of Mr. Li Ning. Dr. Lee Shau Kee, Messrs. Lam Ko Yin, Colin, Li Ning, Au Siu Kee, Alexander, Leung Hay Man, Lau Yum Chuen, Eddie and Wu King Cheong are directors of Henderson Land Development Company Limited ("Henderson Land"). Mr. Wu King Cheong is the independent non-executive director of Henderson Land. Henderson Land has discloseable interests under the provisions of Part XV of the Securities and Futures Ordinance in the Company.

Save aforesaid, there is no financial, business, family or other material or relevant relationship among the directors.

Chairman and Group General Manager

The roles of the Chairman and the Group General Manager of the Company are taken by two separate individuals who are not related to each other. The separation of the roles of the Chairman and the Group General Manager enables a clear division of responsibilities between the Board Chairman and the Group General Manager and also provide checks and balances effect.

The role of the Chairman of the Board is taken by Mr. Lam Ko Yin, Colin while the role of the Group General Manager (whose status is equivalent to chief executive officer for the purpose of the CG Code but not otherwise) is taken by Dr. Ho Chi Shing, David. The key function of the Chairman is the management of the Board whereas the key function of the Group General Manager is the day-to-day management of the Company's business.

Non-Executive Directors

All non-executive directors (including independent non-executive directors) of the Company have been appointed for a specific term to 31 December 2013. They are eligible for re-appointment and subject to re-election on retirement by rotation in accordance with the Company's Articles of Association.

In accordance with the Articles of Association of the Company, no director shall hold office for a continuous period in excess of 3 years, or past the third annual general meeting, following the Directors' appointment or re-election, whichever is longer, without submitting for re-election at an annual general meeting of the shareholders.

Board Committees

The Board has established three board committees, namely, Audit Committee, Remuneration Committee and Nomination Committee to oversee particular aspects of the Company's affairs. Each committee has been delegated with certain functions of the Board.

Audit Committee

The Audit Committee comprises three independent non-executive directors, namely, Mr. Ho Hau Chong, Norman (Chairman of the Audit Committee), Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong.

The Audit Committee is primarily responsible for review of the annual and interim accounts and oversight of the Company's financial reporting system and internal control and risk management of the Company. The Audit Committee oversaw internal control system of the Group including the adequacy of resources, staff qualifications, experience, programmes and budget of the accounting and reporting function of the Group. The Audit Committee also oversaw the risk management of the Group and discussed with the external auditor on financial reporting and compliance. The external auditor was invited to attend the meetings of Audit Committee to present their reports and reviews for the interim and final results of the Group.

For the year ended 31 December 2011, two audit committee meetings were held. During the meetings, the Audit Committee members had reviewed the annual results and its corresponding accounts for the year 2010, the Annual Internal Audit Report for 2010, Continuing Connected Transactions, the Report on Training Budget for Accounting Staff 2011, the interim results and its corresponding accounts for the period ended 30 June 2011, the Interim Review of Audit Assignments for 2011 and the work of the Company's internal audit department and assessed the effectiveness of the Company's systems of risk management and internal control.

Remuneration Committee

The Remuneration Committee consists of three independent non-executive directors, namely, Mr. Wu King Cheong (Chairman of the Remuneration Committee), Mr. Ho Hau Chong, Norman and Ms. Wong Yu Pok, Marina and two executive directors namely Messrs. Lam Ko Yin, Colin and Li Ning.

The Remuneration Committee is responsible for reviewing the policy and structure for the remuneration of all directors and senior management of the Company and establishment of a formal and transparent procedure for developing policy on such remuneration. The remuneration of the directors and senior management is determined by reference to the skill, knowledge and the tasks assigned and also to the individual performance and the overall profitability, corporate goals and objectives of the Company as a whole. In determining the remuneration package, the Committee will also obtain relevant information from external source and consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, etc.

For the year ended 31 December 2011, one remuneration committee meeting was held. During the meeting, the Remuneration Committee members reviewed and determined the remuneration package of the senior management and made recommendations on the fees of all the directors of the Company for the financial year ended 31 December 2011.

Nomination Committee

The Nomination Committee consists of two executive directors namely Messrs. Lam Ko Yin, Colin (Chairman of the Nomination Committee) and Li Ning and three independent non-executive directors, namely, Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong which has been established by the Board on 20 March 2012.

The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to implement the Company's corporate strategy. It also identifies individuals suitably qualified to become board members and select or make recommendations to the board on the selection of individuals nominated for directorships and to assess the independence of independent non-executive directors and make recommendations to the board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive. The Committee shall consider the candidate from a wide range of backgrounds, on his/her merits and against objective criteria set out by the Board and taking into consideration of his/her time devoted to the position.

During the year, there is no change in the composition of the Board.

The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are available on the Company's website at www.hkf.com.

Auditor's Remuneration

Apart from carrying out the annual audit, KPMG, being the auditor of the Company carried out the review on the interim reports of the Company. The fee of the annual audit is HK$1,407,000 whereas the fee for the interim review is HK$254,000. Save the interim review, KPMG did not provide any substantial non-audit services to the Company.

Financial Reporting

The Directors are responsible for the causing of the preparation of the accounts for the financial period which give a true and fair view of the financial results of the Company in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about their reporting responsibilities on the accounts of the Company is set out in the Auditor's Report on pages 32 to 33.

Internal Controls

The Company maintains a comprehensive and effective internal control system on income and capital and revenue expenditures. As part of internal audit, the Company has its own internal audit department and maintained a system of internal control, with manuals guiding internal controls on business operation and conducted audits of all branches of operations on a regular basis. The Internal Audit Department would recommend improvement and strengthening in the implementation of all internal control systems. The Company and the directors will review the effectiveness of the internal control system from time to time to meet with the changing business operation environment.

For the year ended 31 December 2011, the internal audit department has conducted a review of the effectiveness of the system of internal control on the areas of financial, operational and compliance controls and risk management functions.

The members of the Risk Management Committee met twice in February and July 2011 respectively. The senior management and the Internal Audit Manager had identified the relevant risks of the operational units and the control strategies of the Company and incorporated significant risk management and control strategies in the internal audit reports for the review of the Audit Committee members.

The Internal Audit Manager, who is independent to the Company's daily operations, reports directly to the Audit Committee and Group General Manager and regularly conducts audits of the practices, procedures, expenditures and internal control for business operations and corporate functions of the Company.

Corporate Governance

The Board is responsible for performing the corporate governance duties to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board, to review and monitor the training and continuous professional development of directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct applicable to employees and directors; and to review the Company's compliance with the code and make disclosure in the Corporate Governance Report.

Directors' Attendance at Board, Audit and Remuneration Committees' Meetings

Details of the individual attendance of each director at meetings of the Board, the Audit Committee and the Remuneration Committee during the year are set out in the following table:

	No. of meetings attended/ No. of meetings held		
	Board	Audit Committee	Remuneration Committee
Executive directors			
Mr. Lam Ko Yin, Colin	6/6	N/A	1/1
Mr. Li Ning	5/6	N/A	1/1
Non-executive directors			
Mr. Au Siu Kee, Alexander	6/6	N/A	N/A
Mr. Lau Yum Chuen, Eddie	5/6	N/A	N/A
Dr. Lee Shau Kee	2/6	N/A	N/A
Mr. Leung Hay Man	6/6	N/A	N/A
Mr. Wong Man Kong, Peter	4/6	N/A	N/A
Independent non-executive directors			
Mr. Ho Hau Chong, Norman	6/6	2/2	1/1
Ms. Wong Yu Pok, Marina	5/6	2/2	1/1
Mr. Wu King Cheong	6/6	2/2	1/1

Independent Non-Executive Directors

The Board has received confirmation of independence from each of Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong pursuant to Rule 3.13 of the Listing Rules.

The Board is of the view that during the year, the Company had maintained a sufficient number of independent non-executive directors and had an independent non-executive director with appropriate professional qualifications, or accounting or related financial management expertise.

The Board notes that Mr. Ho Hau Chong, Norman is an executive director of Miramar Hotel and Investment Company, Limited ("Miramar") and a director of Wealth Team Development Limited ("Wealth Team"), which is an indirect subsidiary of Henderson Land. Mr. Ho also has an indirect beneficial interests of 9.9% in all issued share capital of Wealth Team, but is not involved in the management and operation of Wealth Team. Miramar, Wealth Team and Henderson Land are connected persons of the Company under the Listing Rules. Save aforesaid, Mr. Ho has complied with other conditions set out in Rule 3.13 of the Listing Rules.

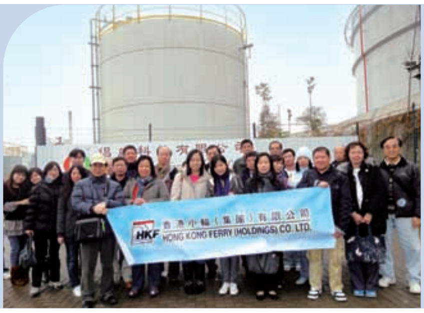
In view of the fact that Mr. Ho does not have any material interests in any principal business activity of and is not involved in any material business dealings with the Company, or any of its subsidiaries or with any connected persons of the Company, and that both the management and the operations of the Miramar group and the Group are totally independent from each other, the Board in good faith considers that the independence of Mr. Ho as an independent non-executive director of the Company is not in any way affected by his directorships in both Miramar and Wealth Team.

In conclusion, the Board considers Mr. Ho Hau Chong, Norman, Ms. Wong Yu Pok, Marina and Mr. Wu King Cheong as independent.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiry, the Company confirmed that all directors of the Company have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2011.

The Company has also adopted the written guidelines on no less exacting terms than the Model Code for those relevant employees, (including employees of the Company or directors or employees of its subsidiaries who, because of such office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Company or its securities) in respect of their dealings in the securities of the Company in compliance with the code provision A.5.4 of the CG Code.



Investor Relations and Shareholder Rights

The Group establishes communication with shareholders through the publication of announcements, notices, circulars, interim and annual reports and in the Company's website at www.hkf.com.

The Company keeps the shareholders informed of the rights of shareholders to demand poll and poll procedure in all circulars in relation to shareholders meetings. The Chairman of the Board and the Chairman of all Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the shareholders' meetings.

Corporate Social Responsibility

As a listed company, the Group values the importance of corporate social responsibility ("CSR") and its impact on the community. The Company integrates CSR elements in its business activities and participates in or encourages the staff to participate in charitable activities to promote good corporate citizenship in Hong Kong.

Our continuous commitments to community service and care of employees have been recognized by the Hong Kong Council of Social Service as a Caring Company for eight consecutive years since 2003.

Our Staff Volunteer Team, formally established in 2008, served the community by participating in different community service events and charitable activities in the past years.

Community Service

Our Group has actively supported community service and encourages our staff to contribute their time and effort in various charitable and volunteer services. In March, 2011, our volunteer team members participated in a joint visit to Hong Chi Winifred Mary Cheung Morninghope School with students from Lai King Catholic Secondary School. The volunteers and the students enjoyed the meaningful visit. The volunteer group joined charity walk for elderly organized by the Senior Citizen Home Safety Association in December 2011 to raise fund for the elders.

The Group continues to support the events organized by the Community Chest. The Group encouraged staff to participate in "The Community Chest Green Day 2011" events held in June 2011, which encouraged greener form of transport and reduce the carbon footprint at workplace by saving energy and resources. In September 2011, our staff participated in the "Dress Casual Day 2011" event for raising funds for several social welfare services supported by the Community Chest. In both events, the Group offered its support by matching the funds raised by the employees.

Staff activities

The Group organized two staff outing activities in year 2011 which received support from the staff. On 27 March 2011, the Group organized a local day trip to Tung Chung and Kam Tin, Yuen Long. As usual, the outing was received with overwhelming success with over 100 staff and family members joining the event.

In October 2011, the Group organized a day trip out of Hong Kong to Macau and PRC. More than 200 staff and their family members joined the trip and enjoyed great time of the day.

Employees Development

The Group provided various seminars and workshops to staff of different levels and positions. The seminars and workshops were organized by internal departments and external organizations to enhance the job-skills of the staff. The Company employed undergraduate students from The Hong Kong University of Science and Technology as intern to provide learning opportunities to the students; the Company also recruited IVE students as helpers to help out various external exhibitions and boat show events in 2011.

The Group provides sponsorship to employees to attend training courses organized by professional institutions from time to time to enhance their professional and technical knowledge. In March 2012, the Company continued to be awarded the title and logo of “Manpower Developer 1st” by Employees Retraining Board in recognition of our support to staff training and development in Hong Kong.

Environmental awareness

Our Group continues to contribute to the preservation of the environment and its resources: minimizing environmental impacts of our development projects by implementing an effective safety management system, compliance to statutory requirements, maintaining consciousness of environmental protection and being considerate to neighborhood and passers-by, etc. Our Group encouraged its subsidiary companies to contribute to the recycling of the food remains and waste to protect the environment. The Group continued to be awarded (the Hang Seng Pearl River Delta Environmental Awards 2010/11 — Green Participant) in recognition of its contribution to environmental protection.

In order to express our concern on climate change and to encourage staff to adopt a low-carbon lifestyle, the Company and various subsidiary companies joined the event of “Earth Hour 2011” organized by The World Wild Fund for Nature and the event of “Hong Kong No-Air Con Night 2011” organized by Green Sense.

Report of the Auditor

Independent auditor's report to the shareholders of
Hong Kong Ferry (Holdings) Company Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of Hong Kong Ferry (Holdings) Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 34 to 101, which comprise the consolidated and company balance sheets as at 31 December 2011, the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated accounts

The directors of the Company are responsible for the preparation of consolidated accounts that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts 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 accounts based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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 accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 March 2012

Consolidated Profit and Loss Account

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Turnover	3(a)	**635,040**	911,707
Cost of sales		**(329,983)**	(525,937)
		305,057	385,770
Other revenue	3(a) & 4	**27,203**	26,519
Other net income	4	**43,633**	121,893
Valuation gains on investment properties and investment property held for development	3(d) & 14	**127,438**	123,061
Impairment loss on available-for-sale securities	17	**(44,834)**	—
Selling and marketing expenses		**(19,620)**	(42,160)
Administrative expenses		**(46,250)**	(41,343)
Other operating expenses		**(44,829)**	(46,633)
Profit from operations	3(b)	**347,798**	527,107
Profit on disposal of hotel properties	5	**244,970**	—
Share of profits less losses of associates		**910**	767
Profit before taxation	6	**593,678**	527,874
Taxation	7(a)	**(28,553)**	(44,707)
Profit attributable to equity shareholders of the Company	10	**565,125**	483,167
Earnings per share — Basic and diluted	13	**$1.59**	$1.36

The notes on pages 42 to 101 form part of these accounts. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 11.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Profit attributable to equity shareholders of the Company		**565,125**	483,167
Other comprehensive income for the year (after tax and reclassification adjustments):			
Available-for-sale securities:			
net movement in the securities revaluation reserve	12	**(133,382)**	(30,737)
Realisation of inter-company profits		**(264)**	(24)
		(133,646)	(30,761)
Total comprehensive income attributable to equity shareholders of the Company		**431,479**	452,406

The notes on pages 42 to 101 form part of these accounts.

Consolidated Balance Sheet

At 31 December 2011

	Note	2011 HK$'000	2011 HK$'000	2010 HK$'000	2010 HK$'000
Non-current assets					
Fixed assets	14				
— Investment properties			**1,010,400**		914,650
— Investment property held for development			**108,000**		99,000
— Other property, plant and equipment			**79,684**		120,003
— Interest in leasehold land			**48,615**		50,361
			1,246,699		1,184,014
Interest in associates	16		**25,390**		40,092
Available-for-sale securities	17		**487,691**		593,762
Employee benefits assets	18(a)		**11,189**		11,087
Deferred tax assets	25(c)		**5,961**		8,134
			1,776,930		1,837,089
Current assets					
Derivative financial instruments	19	**—**		55,732	
Inventories	20(a)	**2,202,271**		1,784,682	
Trade and other receivables	21	**249,011**		215,047	
Cash and cash equivalents	22	**684,813**		753,670	
Tax recoverable	25(a)	**31,655**		7,087	
		3,167,750		2,816,218	
Current liabilities					
Bank overdraft	23	**—**		326	
Trade and other payables	24	**174,382**		186,807	
Tax payable	25(b)	**32,217**		39,343	
		206,599		226,476	
Net current assets			**2,961,151**		2,589,742
Total assets less current liabilities			**4,738,081**		4,426,831
Non-current liability					
Deferred tax liabilities	25(c)		**9,472**		1,443
NET ASSETS			**4,728,609**		4,425,388

At 31 December 2011

	Note	2011 HK$'000	2011 HK$'000	2010 HK$'000	2010 HK$'000
CAPITAL AND RESERVES					
Share capital	26(b)		**356,274**		356,274
Reserves			**4,372,335**		4,069,114
TOTAL EQUITY			**4,728,609**		4,425,388

Approved and authorised for issue by the board of directors on 20 March 2012.

Colin K.Y. Lam
Chairman

Li Ning
Director

The notes on pages 42 to 101 form part of these accounts.

Balance Sheet

At 31 December 2011

	Note	2011 HK$'000	2011 HK$'000	2010 HK$'000	2010 HK$'000
Non-current assets					
Interest in subsidiaries	15		4,346,151		4,141,960
Interest in associates	16		2,902		2,902
Available-for-sale securities	17		45		45
Employee benefits assets	18(a)		11,189		11,087
			4,360,287		4,155,994
Current assets					
Trade and other receivables	21	2,073		1,917	
Cash and cash equivalents	22	1,802		581	
		3,875		2,498	
Current liabilities					
Amounts due to subsidiaries	15	600,731		366,018	
Trade and other payables	24	7,841		6,754	
		608,572		372,772	
Net current liabilities			(604,697)		(370,274)
NET ASSETS			3,755,590		3,785,720
CAPITAL AND RESERVES	26(a)				
Share capital	26(b)		356,274		356,274
Reserves			3,399,316		3,429,446
TOTAL EQUITY			3,755,590		3,785,720

Approved and authorised for issue by the board of directors on 20 March 2012.

Colin K.Y. Lam
Chairman

Li Ning
Director

The notes on pages 42 to 101 form part of these accounts.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Note	Share capital HK$'000 (Note 26(b))	Share premium HK$'000 (Note 26(c))	Securities revaluation reserve HK$'000 (Note 26(c))	Other capital reserves HK$'000 (Note 26(c))	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2010		356,274	1,398,527	177,137	893	2,168,409	4,101,240
Changes in equity for 2010:							
Profit for the year		—	—	—	—	483,167	483,167
Other comprehensive income for the year		—	—	(30,737)	(24)	—	(30,761)
Total comprehensive income for the year		—	—	(30,737)	(24)	483,167	452,406
Dividends approved in respect of the previous year	11	—	—	—	—	(92,631)	(92,631)
Dividends declared in respect of the current year	11	—	—	—	—	(35,627)	(35,627)
Balance at 31 December 2010 and 1 January 2011		**356,274**	**1,398,527**	**146,400**	**869**	**2,523,318**	**4,425,388**
Changes in equity for 2011:							
Profit for the year		**—**	**—**	**—**	**—**	**565,125**	**565,125**
Other comprehensive income for the year		**—**	**—**	**(133,382)**	**(264)**	**—**	**(133,646)**
Total comprehensive income for the year		**—**	**—**	**(133,382)**	**(264)**	**565,125**	**431,479**
Dividends approved in respect of the previous year	11	**—**	**—**	**—**	**—**	**(92,631)**	**(92,631)**
Dividends declared in respect of the current year	11	**—**	**—**	**—**	**—**	**(35,627)**	**(35,627)**
Balance at 31 December 2011		**356,274**	**1,398,527**	**13,018**	**605**	**2,960,185**	**4,728,609**

The notes on pages 42 to 101 form part of these accounts.

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 HK$'000	2011 HK$'000	2010 HK$'000	2010 HK$'000
Operating activities					
Profit before taxation			**593,678**		527,874
Adjustments for:					
Depreciation		**8,840**		10,806	
Amortisation of leasehold land premium		**1,376**		1,380	
Impairment losses on trade and other receivables		**2,266**		31	
Impairment loss on available-for-sale securities		**44,834**		—	
Net profit on disposal of investment properties		**(37,400)**		(36,191)	
Net profit on disposal of other property, plant and equipment		**(42)**		(127)	
Profit on disposal of hotel properties		**(244,970)**		—	
Valuation gains on investment properties and investment property held for development		**(127,438)**		(123,061)	
Net realised and unrealised gains on derivative financial instruments		**(682)**		(984)	
Net profit on sale of available-for-sale securities		**—**		(42,194)	
Interest income		**(23,815)**		(20,078)	
Dividend income from listed investments		**(17,970)**		(12,005)	
Share of profits less losses of associates		**(910)**		(767)	
Realisation of inter-company profits		**(16)**		(24)	
			(395,927)		(223,214)
Operating profit before changes in working capital			**197,751**		304,660
Increase in employee benefits assets		**(102)**		(246)	
Increase in inventories		**(391,375)**		(1,236,430)	
Decrease in trade and other receivables		**17,453**		282,940	
Decrease in trade and other payables		**(35,671)**		(97,957)	
			(409,695)		(1,051,693)
Cash used in operations			**(211,944)**		(747,033)
Profits tax paid		**(50,045)**		(38,246)	
Profits tax refunded		**—**		67	
			(50,045)		(38,179)
Net cash used in operating activities			**(261,989)**		(785,212)

For the year ended 31 December 2011

	Note	2011 HK$'000	2011 HK$'000	2010 HK$'000	2010 HK$'000
Investing activities					
Interest received		22,652		19,950	
Payment for purchase of fixed assets		(1,717)		(3,168)	
Payment for purchase of available-for-sale securities		(15,044)		(29,926)	
Proceeds from disposal of other property, plant and equipment		50		146	
Net repayment from associates		15,367		40,364	
Proceeds from disposal of derivative financial instruments		493		108,161	
Proceeds from sale of available-for-sale securities		—		127,615	
Proceeds from disposal of investment properties		5,820		69,891	
Proceeds from disposal of hotel properties		277,930		—	
Dividends received from listed investments		16,165		12,343	
Net cash generated from investing activities			321,716		345,376
Financing activity					
Dividends paid		(128,258)		(128,258)	
Net cash used in financing activity			(128,258)		(128,258)
Net decrease in cash and cash equivalents			(68,531)		(568,094)
Cash and cash equivalents at 1 January			753,344		1,321,438
Cash and cash equivalents at 31 December	22		684,813		753,344

The notes on pages 42 to 101 form part of these accounts.

1 Significant Accounting Policies

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these accounts.

(b) Basis of preparation of the accounts

The consolidated accounts for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the accounts is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— investment properties (see note 1(h));

— financial instruments classified as available-for-sale securities (see note 1(f)); and

— derivative financial instruments (see note 1(g)).

The preparation of accounts in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the accounts and major sources of estimation uncertainty are discussed in note 2.

1 Significant Accounting Policies (Continued)

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's accounts:

— HKAS 24 (revised 2009), *Related party disclosures*

— Improvements to HKFRSs (2010)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The impacts of the developments are discussed below:

— HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

— *Improvements to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in note 27 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the accounts in the current and previous periods.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated accounts from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

1 Significant Accounting Policies (Continued)

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated accounts under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associate's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see note 1(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in the consolidated profit and loss account, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's balance sheet, investments in associates are stated at cost less impairment losses (see note 1(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities, being those held for non-trading purpose, are classified as available-for-sale securities. Available-for-sale securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

1 Significant Accounting Policies (Continued)

(f) Other investments in equity securities (Continued)

At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the securities revaluation reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 1(t)(vii). When these investments are derecognised or impaired (see note 1(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(k)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair values, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(t)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(j).

(i) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

1 Significant Accounting Policies (Continued)

(i) Other property, plant and equipment (Continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Land	Over the unexpired terms of the leases
Buildings	40 years or over the unexpired terms of the leases, if shorter
Leasehold land classified as held under finance leases	Over the unexpired terms of the leases
Ferry vessels and other crafts	8 to 15 years
Machinery, furniture and other fixed assets	
— Dry dock and ship lift	30 to 40 years
— Others	4 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(h)); and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

1 Significant Accounting Policies (Continued)

(j) Leased assets (Continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(h)) or is held for development for sale (see note 1(l)(iv)).

(k) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries and associates (including those recognised using the equity method (see note 1(e))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

1 Significant Accounting Policies (Continued)

(k) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the securities revaluation reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that other property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

1 Significant Accounting Policies (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(l) Inventories

(i) Trading stocks

Trading stocks are stated at the lower of cost and net realisable value. Cost includes the cost of materials computed using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(ii) Spare parts and consumables

Spare parts and consumables are stated at cost, computed using the weighted average method, less provision for obsolescence.

1 Significant Accounting Policies (Continued)

(l) Inventories (Continued)

(iii) Work in progress

Work in progress are construction and repairing in progress at the balance sheet date and are recorded at the net amount of costs incurred plus recognised profits less recognised losses and progress billings.

(iv) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

— Properties under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, and an appropriate proportion of overheads. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

— Completed properties held for sale

In the case of completed properties developed by the Group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 Significant Accounting Policies (Continued)

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group's net obligation in respect of defined benefit retirement plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. If the benefits vest immediately, the expense is recognised immediately in profit or loss.

In calculating the Group's obligation in respect of a plan, if any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation of the Group's net obligation results in a negative amount, the asset recognised is limited to the total of any cumulative unrecognised net actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(r) Income tax

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

1 Significant Accounting Policies (Continued)

(r) Income tax (Continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1 Significant Accounting Policies (Continued)

(r) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

1 Significant Accounting Policies (Continued)

(s) Financial guarantees issued, provisions and contingent liabilities (Continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under deposits received.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customers have accepted the goods and the related risks and rewards of ownership.

(iv) Ferry operations and related services

Revenue relating to ferry operations is recognised when the relevant ferry services are provided.

1 Significant Accounting Policies (Continued)

(t) Revenue recognition (Continued)

(v) Travel business

Revenue arising from the travel business is recognised on the completion date of the tours or when the relevant services are provided.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Dividends

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(u) Deferred interest income

Where properties are sold under deferred terms with part of the sales proceeds being receivable after an interest-free period, the differences between the sale prices with and without such terms are treated as deferred income and is released to profit or loss on a straight-line basis over the interest-free period.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

(w) Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group.

1 Significant Accounting Policies (Continued)

(x) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the accounts, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Critical Accounting Judgements and Estimates

Notes 14(a), 18 and 27 contain information about the assumptions and their risk factors relating to valuation of investment properties, defined benefit retirement obligation and financial instruments. Other key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are as follows:

(a) Valuation of investment properties

In determining the fair value of the investment properties, the Group has considered information from different sources, including a valuation performed by an independent firm of professional valuers after taking into consideration the net rental income allowing for reversionary income potential, and other available market survey reports.

The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

(b) Recognition of deferred tax assets

At 31 December 2011, the Group has recognised deferred tax assets in relation to the unused tax losses amounting to approximately HK$66,958,000 (2010: HK$79,988,000). The realisability of the deferred tax assets mainly depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

(c) Fair value of derivative financial instruments

The Notes (as defined in note 19) are classified as derivative financial instruments and stated at fair value at the balance sheet date. The Group adopted the valuation of the Notes as valued by professional valuers with appropriate experience in the valuation of similar transactions, and with reference to market value quotations from financial institutions.

The assumptions adopted in the fair value of the Notes are based on the pricing model using the market closing prices of the underlying stocks and/or index, the volatilities, correlations and interest rates at the balance sheet date.

(d) Impairment of interest in subsidiaries

In considering the impairment losses that may be required for the Company's interest in subsidiaries, recoverable amount of the assets needs to be determined. The recoverable amount is the greater of its fair value less costs to sell and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of turnover and amount of operating costs of the subsidiaries. The Company uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs of subsidiaries.

3 Segment Information

The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments.

— Property development: development and sale of properties.

— Property investment: leasing of properties.

— Ferry, shipyard and related operations: operation of dangerous goods vehicular ferry service, cruise vessels and ship repairs and maintenance services.

— Travel and hotel operations: hotel operation and management and operation of travel agency services.

— Securities investment: debt and equity securities investments.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue and profit from operations were derived from activities outside Hong Kong.

Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

3 Segment Information (Continued)

The segment information for the years ended 31 December 2011 and 2010 about these reportable segments is presented below:

(a) Segment revenue

	Total revenue		Elimination of inter-segment revenue		Revenue from external customers	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Property development	**286,349**	542,286	**—**	—	**286,349**	542,286
Property investment	**56,779**	50,311	**65**	59	**56,714**	50,252
Ferry, shipyard and related operations	**117,960**	142,651	**3,496**	2,713	**114,464**	139,938
Travel and hotel operations	**164,495**	175,700	**101**	99	**164,394**	175,601
Securities investment	**18,672**	12,518	**—**	—	**18,672**	12,518
Others	**68,944**	60,600	**47,294**	42,969	**21,650**	17,631
	713,199	984,066	**50,956**	45,840	**662,243**	938,226
Analysed by:						
Turnover					**635,040**	911,707
Other revenue					**27,203**	26,519
					662,243	938,226

The principal activities of the Group are property development, property investment, ferry, shipyard and related businesses, travel and hotel operations, and securities investment.

Turnover represents gross income from the sale of properties, sales value of goods delivered to customers, income from services rendered, rental income, interest income and dividend income.

3 Segment Information (Continued)

(b) Segment result

	Reportable segment profit	
	2011	2010
	HK$'000	HK$'000
Property development	**156,033**	227,925
Property investment (note 3(d))	**189,288**	179,687
Ferry, shipyard and related operations	**5,535**	9,936
Travel and hotel operations	**1,992**	2,359
Securities investment	**(25,986)**	51,895
Others (note 3(e))	**20,936**	55,305
	347,798	527,107

(c) Reconciliation of reportable segment profit

	2011	2010
	HK$'000	HK$'000
Reportable segment profit derived from external customers	**347,798**	527,107
Profit on disposal of hotel properties (note 5)	**244,970**	—
Share of profits less losses of associates	**910**	767
Profit before taxation in the consolidated profit and loss account	**593,678**	527,874

(d) The segment result of the property investment included valuation gains on investment properties and investment property held for development of HK$127,438,000 (2010: HK$123,061,000).

(e) The segment result of "Others" mainly comprises interest income, corporate expenses and exchange gains/losses.

3 Segment Information (Continued)

(f) Other segment information

	Depreciation and amortisation 2011 HK$'000	Depreciation and amortisation 2010 HK$'000	Impairment loss 2011 HK$'000	Impairment loss 2010 HK$'000	Capital expenditure incurred 2011 HK$'000	Capital expenditure incurred 2010 HK$'000
Property investment	**25**	32	**113**	31	**21**	—
Ferry, shipyard and related operations	**7,625**	8,854	**2,153**	—	**644**	1,620
Travel and hotel operations	**1,826**	2,677	**—**	—	**149**	1,434
Securities investment	**—**	—	**44,834**	—	**—**	—
Others	**740**	623	**—**	—	**903**	114
	10,216	12,186	**47,100**	31	**1,717**	3,168

4 Other Revenue and Net Income

	2011 HK$'000	2010 HK$'000
Other revenue		
Management fee income	**8,502**	8,301
Air-conditioning charges income	**6,306**	5,729
Other interest income	**2,474**	5,049
Other income	**9,921**	7,440
	27,203	26,519

4 Other Revenue and Net Income (Continued)

	2011 HK$'000	2010 HK$'000
Other net income		
Net profit on sale of available-for-sale securities	–	42,194
Net exchange gains	2,824	38,436
Net profit on disposal of investment properties	37,400	36,191
Net realised and unrealised gains on derivative financial instruments	682	984
Income from sale of spare parts	680	346
Forfeited deposits	891	314
Net profit on disposal of other property, plant and equipment	42	127
Sundry income	1,114	3,301
	43,633	121,893

5 Disposal of Hotel Properties

In September 2011, the Group completed the sale of the hotel properties, the Silvermine Beach Hotel, and hotel-related leasehold land, machinery and furniture for a cash consideration of HK$280,800,000. The profit of HK$244,970,000 arising on the sale of the properties was credited to the consolidated profit and loss account.

6 Profit before Taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Staff costs:

	2011 HK$'000	2010 HK$'000
Decrease in liability for defined benefit retirement plan (note 18(a)(v))	(102)	(246)
Contributions to defined contribution retirement plan	2,518	2,056
Total retirement costs	2,416	1,810
Salaries, wages and other benefits	79,221	75,899
	81,637	77,709

6 Profit before Taxation (Continued)

(b) Other items:

	2011 HK$'000	2010 HK$'000
Amortisation of leasehold land premium	**1,376**	1,380
Depreciation	**8,840**	10,806
Cost of inventories (note 20(b))	**132,206**	311,706
Auditor's remuneration		
— audit services	**1,407**	1,311
— other services	**254**	240
Operating lease charges: minimum lease payments — property rentals	**4,673**	4,586
Impairment losses on trade and other receivables	**2,266**	31
Rentals receivable from investment properties less direct outgoings of HK$23,065,000 (2010: HK$21,289,000)	**(18,658)**	(15,451)
Rentals receivable from operating leases, other than those relating to investment properties, less direct outgoings of HK$1,022,000 (2010: HK$936,000)	**(8,319)**	(6,829)
Interest income	**(23,815)**	(20,078)
Dividend income from listed investments	**(17,970)**	(12,005)

7 Income Tax in the Consolidated Profit and Loss Account

(a) Taxation in the consolidated profit and loss account represents:

	2011 HK$'000	2010 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**18,459**	25,661
Over-provision in respect of prior year	**(108)**	(62)
	18,351	25,599
Deferred tax		
Origination and reversal of temporary differences	**10,202**	19,108
	28,553	44,707

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

7 Income Tax in the Consolidated Profit and Loss Account (Continued)

(b) Reconciliation between tax expense and accounting profit at an applicable tax rate:

	2011 HK$'000	2010 HK$'000
Profit before taxation	**593,678**	527,874
Notional tax on profit before taxation, calculated at 16.5%	**97,957**	87,100
Tax effect of non-deductible expenses	**8,897**	7,523
Tax effect of non-taxable income	**(83,316)**	(30,801)
Tax effect of current year's tax losses not recognised	**607**	621
Tax effect of prior years' unrecognised tax losses utilised this year	**(340)**	(2,169)
Tax effect of prior years' tax losses / temporary differences recognised this year	**(922)**	3,250
Tax effect of temporary differences on fixed assets	**5,778**	(20,755)
Over-provision in respect of prior year	**(108)**	(62)
Actual tax expense	**28,553**	44,707

8 Directors' Remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fee	
	2011 HK$'000	2010 HK$'000
Executive directors		
Mr. Lam Ko Yin, Colin	**200**	150
Mr. Li Ning	**150**	100
Non-executive directors		
Mr. Au Siu Kee, Alexander	**100**	50
Mr. Lau Yum Chuen, Eddie	**100**	50
Dr. Lee Shau Kee	**100**	50
Mr. Leung Hay Man	**100**	50
Mr. Wong Man Kong, Peter	**100**	50
Independent non-executive directors		
Mr. Ho Hau Chong, Norman	**300**	250
Ms. Wong Yu Pok, Marina	**300**	250
Mr. Wu King Cheong	**300**	250
	1,750	1,250

9 Individuals with the Highest Emoluments

None of the five individuals with the highest emoluments is a director of the Company. The aggregate of the emoluments of the five (2010: five) highest paid employees are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other emoluments	**6,005**	5,751
Retirement scheme contributions	**76**	38
	6,081	5,789

The emoluments of the five (2010: five) individuals with the highest emoluments are within the following bands:

HK$	**2011 Number of individuals**	2010 Number of individuals
1,000,000 or below	**3**	3
1,000,001–1,500,000	**1**	1
1,500,001–2,000,000	**—**	—
2,000,001–2,500,000	**1**	1

10 Profit Attributable to Equity Shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$98,128,000 (2010: HK$93,174,000) which has been dealt with in the accounts of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 11.

11 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2011 HK$'000	2010 HK$'000
Interim dividend declared and paid of HK10 cents (2010: HK10 cents) per ordinary share	**35,627**	35,627
Final dividend proposed after the balance sheet date of HK26 cents (2010: HK26 cents) per ordinary share	**92,631**	92,631
	128,258	128,258

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2011 HK$'000	2010 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK26 cents (2010: HK26 cents) per ordinary share	**92,631**	92,631

12 Other Comprehensive Income

Components of other comprehensive income, including reclassification adjustments

	2011 HK$'000	2010 HK$'000
Available-for-sale securities		
Changes in fair value recognised during the year	**(178,216)**	11,759
Reclassification adjustments for amounts transferred to profit or loss:		
— gains on disposal	**—**	(42,496)
— impairment losses	**44,834**	—
Net movement in the securities revaluation reserve during the year recognised in other comprehensive income	**(133,382)**	(30,737)

13 Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$565,125,000 (2010: HK$483,167,000) and 356,273,883 (2010: 356,273,883) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence during the years 2011 and 2010, therefore diluted earnings per share are the same as basic earnings per share for both years.

14 Fixed Assets

The Group

	Hotel properties HK$'000	Buildings HK$'000	Ferry vessels and other crafts HK$'000	Machinery, furniture and others HK$'000	Sub-total HK$'000	Investment properties HK$'000	Investment property held for development HK$'000	Interest in leasehold land HK$'000	Total HK$'000
Cost or valuation:									
At 1 January 2010	69,211	70,138	131,103	282,343	552,795	837,900	89,000	160,084	1,639,779
Additions	–	375	234	2,559	3,168	–	–	–	3,168
Cost adjustment (Note)	–	–	–	–	–	(2,611)	–	–	(2,611)
Disposals	–	(149)	–	(1,043)	(1,192)	(33,700)	–	–	(34,892)
Valuation gains	–	–	–	–	–	113,061	10,000	–	123,061
At 31 December 2010	69,211	70,364	131,337	283,859	554,771	914,650	99,000	160,084	1,728,505
Representing:									
Cost	69,211	70,364	131,337	283,859	554,771	–	–	160,084	714,855
Valuation	–	–	–	–	–	914,650	99,000	–	1,013,650
	69,211	70,364	131,337	283,859	554,771	914,650	99,000	160,084	1,728,505
Accumulated amortisation and depreciation:									
At 1 January 2010	34,131	57,466	121,417	212,121	425,135	–	–	108,343	533,478
Charge for the year	1,916	758	3,186	4,946	10,806	–	–	1,380	12,186
Written back on disposals	–	(149)	–	(1,024)	(1,173)	–	–	–	(1,173)
At 31 December 2010	36,047	58,075	124,603	216,043	434,768	–	–	109,723	544,491
Net book value:									
At 31 December 2010	33,164	12,289	6,734	67,816	120,003	914,650	99,000	50,361	1,184,014

14 Fixed Assets (Continued)

The Group (Continued)

	Hotel properties HK$'000	Buildings HK$'000	Ferry vessels and other crafts HK$'000	Machinery, furniture and others HK$'000	Sub-total HK$'000	Investment properties HK$'000	Investment property held for development HK$'000	Interest in leasehold land HK$'000	Total HK$'000
Cost or valuation:									
At 1 January 2011	69,211	70,364	131,337	283,859	554,771	914,650	99,000	160,084	1,728,505
Additions	–	89	78	1,550	1,717	–	–	–	1,717
Cost adjustment (Note)	–	–	–	–	–	(1,888)	–	–	(1,888)
Disposals	(69,211)	(238)	(44)	(7,864)	(77,357)	(20,800)	–	(677)	(98,834)
Valuation gains	–	–	–	–	–	118,438	9,000	–	127,438
At 31 December 2011	–	70,215	131,371	277,545	479,131	1,010,400	108,000	159,407	1,756,938
Representing:									
Cost	–	70,215	131,371	277,545	479,131	–	–	159,407	638,538
Valuation	–	–	–	–	–	1,010,400	108,000	–	1,118,400
	–	70,215	131,371	277,545	479,131	1,010,400	108,000	159,407	1,756,938
Accumulated amortisation and depreciation:									
At 1 January 2011	36,047	58,075	124,603	216,043	434,768	–	–	109,723	544,491
Charge for the year	1,285	658	1,854	5,043	8,840	–	–	1,376	10,216
Written back on disposals	(37,332)	–	(44)	(6,785)	(44,161)	–	–	(307)	(44,468)
At 31 December 2011	–	58,733	126,413	214,301	399,447	–	–	110,792	510,239
Net book value:									
At 31 December 2011	–	11,482	4,958	63,244	79,684	1,010,400	108,000	48,615	1,246,699

Note: Cost adjustment represents the revision of the original construction cost of the properties completed in prior years, confirmed by the surveyor during the years ended 31 December 2011 and 2010.

14 Fixed Assets (Continued)

(a) Investment properties and investment property held for development held by the Group were revalued at 31 December 2011, on a market value basis in their existing states calculated by means of capitalisation of the net income allowing for reversionary income potential and by reference to comparable market transactions. The valuations were carried out by an independent firm of surveyors, DTZ, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.

(b) The analysis of the net book value of all the properties, which are held in Hong Kong, is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Medium-term leases	**1,070,497**	989,664
Long leases	**108,000**	119,800
	1,178,497	1,109,464

(c) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one month to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Certain of the leases include contingent rentals calculated with reference to the revenue of tenants.

All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2011	2010
	HK$'000	HK$'000
Within 1 year	**17,617**	25,144
After 1 year but within 5 years	**9,176**	19,958
	26,793	45,102

15 Interest in Subsidiaries

	The Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**166,888**	166,888
Amounts due from subsidiaries	**4,981,053**	4,876,653
Less: Impairment losses	**(801,790)**	(901,581)
	4,346,151	4,141,960

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered within one year.

The amounts due to subsidiaries are interest-free, unsecured and repayable on demand.

Details of the principal subsidiaries at 31 December 2011, which materially affect the results, assets or liabilities of the Group, are as follows:

		Proportion of ownership interests		
	Particulars of issued and paid up capital HK$	**Held by the Company**	**Held by subsidiaries**	**Principal activities**
HYFCO Development Company Limited	12,000,030	100%	—	Property investment
The Hong Kong Shipyard Limited	17,000,000	100%	—	Shipbuilding and repairs
HYFCO Trading and Investments Company Limited	2	100%	—	Trading
HYFCO Estate Management & Agency Limited	25,000,000	100%	—	Property management
HYFCO Properties Limited	21,700,000	100%	—	Dormant
HYFCO Travel Agency Limited	3,500,000	100%	—	Travel business
The Hongkong and Yaumati Ferry Company Limited	100,000,000	100%	—	Ferry operations
Fine Time Development Limited	2	100%	—	Dormant

15 Interest in Subsidiaries (Continued)

	Particulars of issued and paid up capital HK$	Proportion of ownership interests Held by the Company	Held by subsidiaries	Principal activities
Galaxy Hotel Management Company Limited	1,350,000	—	100%	Floating restaurant business
Genius Star Development Limited	2	100%	—	Property investment
Pico International Limited	6,000,000	100%	—	Investment holding
Hong Kong Ferry Finance Company Limited	2	100%	—	Group financing
Thommen Limited	20	100%	—	Investment holding
Lenfield Limited	2	100%	—	Property development, investment and financing
HKF Property Investment Limited	2	100%	—	Property investment
Join Galaxy Limited	2	—	100%	Property investment and financing
Merry World Assets Limited	390,000	100%	—	Investment holding
Star Unity Limited	1	100%	—	Property development and investment
Jet Legend Limited	1	100%	—	Property development
World Light Limited	1	100%	—	Property development
Well Dynamic Limited	1	100%	—	Property development

All the subsidiaries listed above are incorporated in Hong Kong except for Merry World Assets Limited which is incorporated in the British Virgin Islands.

Except for HYFCO Travel Agency Limited which operates outbound tours in the Mainland China and Macau, all the other subsidiaries operate in Hong Kong.

16 Interest in Associates

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**—**	—	**—**	—
Share of net assets	**5,321**	5,401	**—**	—
Amounts due from associates	**26,539**	41,161	**9,372**	9,372
	31,860	46,562	**9,372**	9,372
Less: Impairment loss	**(6,470)**	(6,470)	**(6,470)**	(6,470)
	25,390	40,092	**2,902**	2,902

Except for the amount advanced to 2OK Company Limited ("2OK") which is interest-bearing at Hong Kong dollar prime rate minus 3% (2010: Hong Kong dollar prime rate minus 3%) per annum, as disclosed in note 31(b)(ii), all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. All the amounts due from associates are neither past due nor impaired and are not expected to be recovered within one year.

Details of the associates at 31 December 2011 are as follows:

	Particulars of issued & paid up capital	Proportion of ownership interest held by subsidiaries	Principal activities
2OK	10 ordinary shares of HK$1 each	50%	Property financing
Authian Estates Limited	5,000 A shares of HK$1 each 5,000 B shares of HK$1 each	50%	Property investment
Winwide Limited	100 ordinary shares of HK$1 each	30%	Trading

All of the associates are incorporated and operate in Hong Kong.

16 Interest in Associates (Continued)

Summary financial information on associates

	Assets HK$'000	Liabilities HK$'000	Equity HK$'000	Revenues HK$'000	Profit HK$'000
2011					
Group's effective interest	**22,456**	**(17,135)**	**5,321**	**3,957**	**910**
2010					
Group's effective interest	36,340	(30,939)	5,401	4,326	767

17 Available-for-Sale Securities

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Unlisted shares	**45**	45	**45**	45
Listed debt securities	**13,781**	—	**—**	—
Listed shares				
— in Hong Kong	**325,849**	451,361	**—**	—
— outside Hong Kong	**148,016**	142,356	**—**	—
	473,865	593,717	**—**	—
	487,691	593,762	**45**	45
Market value of listed securities at 31 December	**487,646**	593,717	**—**	—
Fair value of individually impaired available-for-sale securities	**51,866**	—	**—**	—

As at 31 December 2011 the Group's available-for-sale securities were individually determined to be impaired on the basis of a material decline in their fair value below cost and adverse changes in the market in which these investees operated which indicated that the cost of the Group's investment in them may not be recovered. Impairment losses of HK$44,834,000 on these investments were recognised in profit or loss in accordance with the policy set out in note 1(k)(i).

18 Employee Benefits Assets

(a) Defined benefit retirement plan

The Group makes contributions to a defined benefit retirement plan which covers about 17.5% (2010: 17.1%) of the Group's employees. The plan is administered by independent trustees with their assets held separately from those of the Group.

The plan is funded by contributions from the Group in accordance with an independent actuary's recommendations based on annual actuarial valuations. The latest independent actuarial valuation of the plan was at 31 December 2011 and was prepared by qualified staff of Towers Watson Hong Kong Limited, who are members of recognised actuarial bodies, using the projected unit credit method. The actuarial valuation indicates that the Group's obligations under the defined benefit retirement plan were fully covered by the plan assets held by the trustees.

(i) The amounts recognised in the balance sheets are as follows:

	The Group and the Company	
	2011	2010
	HK$'000	HK$'000
Present value of wholly or partly funded obligations	**(38,811)**	(35,711)
Fair value of plan assets	**44,015**	51,085
Net unrecognised actuarial losses/(gains)	**5,985**	(4,287)
	11,189	11,087

The plan assets do not include any share issued by the Company or any property occupied by the Group.

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. The Group does not expect to pay contributions to defined benefit retirement plan in 2012.

18 Employee Benefits Assets (Continued)

(a) Defined benefit retirement plan (Continued)

(ii) Plan assets consist of the following:

	The Group and the Company	
	2011	2010
Equity securities	**21.5%**	26.9%
Bonds	**0%**	0.1%
Fixed deposits	**78.5%**	73.0%
Total	**100.0%**	100.0%

The plan target asset allocation is 25% in equity securities and 75% in fixed deposits. The expected long-term annual return of equity securities and fixed deposits are determined to be approximately 4%. The expected return is determined to be 4% per annum.

(iii) Movements in the present value of the defined benefit obligations:

	The Group and the Company	
	2011	2010
	HK$'000	HK$'000
At 1 January	**35,711**	35,188
Current service cost	**1,447**	1,492
Interest cost	**993**	839
Benefits paid by the plan	**(3,383)**	(1,024)
Actuarial losses/(gains)	**4,043**	(784)
At 31 December	**38,811**	35,711

(iv) Movements in plan assets:

	The Group and the Company	
	2011	2010
	HK$'000	HK$'000
At 1 January	**51,085**	51,358
Actuarial expected return on plan assets	**2,542**	2,556
Benefits paid by the plan	**(3,383)**	(1,024)
Actuarial losses	**(6,229)**	(1,805)
At 31 December	**44,015**	51,085

18 Employee Benefits Assets (Continued)

(a) Defined benefit retirement plan (Continued)

(v) Income recognised in the consolidated profit and loss account is as follows:

	2011 **HK$'000**	2010 HK$'000
Current service cost	**1,447**	1,492
Interest cost	**993**	839
Actuarial expected return on plan assets	**(2,542)**	(2,556)
Net actuarial gains recognised	**—**	(21)
	(102)	(246)

The above income is recognised in the following item in the consolidated profit and loss account:

	2011 **HK$'000**	2010 HK$'000
Credited to administrative expenses	**(102)**	(246)

The actual return on plan assets of the Group (taking into account all changes in the fair value of the plan assets excluding contributions paid and received) was net loss of HK$3,687,000 (2010: net income of HK$751,000).

(vi) The principal actuarial assumptions used at 31 December 2011 (expressed as weighted averages) are as follows:

	The Group and the Company	
	2011	2010
Discount rate	**1.3%**	2.8%
Expected rate of return on plan assets	**4%**	5%
Future salary increases		
— 2011	**—**	3%
— 2012 and onwards	**3%**	3%

The expected long-term rate of return on plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

18 Employee Benefits Assets (Continued)

(a) Defined benefit retirement plan (Continued)

Historical information

	The Group and the Company				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Present value of the defined benefit obligations	**(38,811)**	(35,711)	(35,188)	(40,002)	(39,371)
Less: Fair value of plan assets	**44,015**	51,085	51,358	51,549	70,031
Surplus in the plan	**5,204**	15,374	16,170	11,547	30,660
Experience losses/(gains) on plan liabilities	**607**	178	(261)	(3)	(237)
Experience losses/(gains) on plan assets	**6,229**	1,805	(857)	14,145	261

(b) Defined contribution retirement plan

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employers and their employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF Scheme vest immediately.

19 Derivative Financial Instruments

The Group's derivative financial instruments are primarily equity-linked notes (the "Notes") with different notional amounts, fair values and maturities as follows:

	The Group			
	Notional amount	Maturing in	Fair value	
	Australian dollars		Australian dollars	Hong Kong dollars equivalent
	AUD'000		AUD'000	HK$' 000
2010:				
Notes	9,000	2011	7,035	55,732

All of the Notes were matured and settled either by cash or by delivery of the underlying shares at maturity date during the year.

20 Inventories

(a) Inventories in the consolidated balance sheet comprise:

	2011 **HK$'000**	2010 HK$'000
Property development		
Properties under development for sale	**2,049,533**	1,510,959
Completed properties held for sale	**143,926**	266,625
	2,193,459	1,777,584
Other operations		
Trading stocks	**296**	418
Spare parts and consumables	**3,160**	3,012
Work in progress	**5,356**	3,668
	8,812	7,098
	2,202,271	1,784,682

20 Inventories (Continued)

(a) Inventories in the consolidated balance sheet comprise: (Continued)

The above properties are situated in Hong Kong and held under medium-term leases.

The amount of properties under development for sale expected to be completed after more than one year is HK$2,049,533,000 (2010: HK$1,510,959,000). All of the other inventories are expected to be recovered within one year.

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2011 **HK$'000**	2010 HK$'000
Carrying amount of inventories sold	**132,206**	311,706

21 Trade and Other Receivables

	The Group		**The Company**	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Trade receivables	**159,071**	164,186	**—**	—
Less: allowance for doubtful debts	**(2,266)**	(31)	**—**	—
	156,805	164,155	**—**	—
Other receivables and prepayments	**92,206**	50,892	**2,073**	1,917
	249,011	215,047	**2,073**	1,917

All of the trade and other receivables except for instalment receivables of HK$82,810,000 (2010: HK$96,420,000) are expected to be recovered or recognised as expense within one year.

21 Trade and Other Receivables (Continued)

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	The Group	
	2011	2010
	HK$'000	HK$'000
Current	**147,958**	154,077
1 to 3 months overdue	**6,929**	6,731
More than 3 months but less than 12 months overdue	**759**	3,022
More than 12 months overdue	**1,159**	325
	156,805	164,155

Trade debtors are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credit is granted. Further details on the Group's credit policy are set out in note 27(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(k)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**31**	542
Impairment loss recognised	**2,266**	31
Uncollectible amounts written off	**(31)**	(542)
At 31 December	**2,266**	31

At 31 December 2011, the Group's trade debtors of HK$2,266,000 (2010: HK$31,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of HK$2,266,000 (2010: HK$31,000) were recognised.

21 Trade and Other Receivables (Continued)

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Neither overdue nor impaired	**147,958**	154,077
1 to 3 months overdue	**6,929**	6,731
More than 3 months but less than 12 months overdue	**759**	3,022
More than 12 months overdue	**1,159**	325
	8,847	10,078
	156,805	164,155

Receivables that were neither overdue nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were overdue but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

22 Cash and Cash Equivalents

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks and other financial institutions	**658,938**	726,927	**—**	—
Cash at bank and in hand	**25,875**	26,743	**1,802**	581
Cash and cash equivalents in the balance sheet	**684,813**	753,670	**1,802**	581
Bank overdraft (note 23)	**—**	(326)		
Cash and cash equivalents in the consolidated cash flow statement	**684,813**	753,344		

Included in cash and cash equivalents are the following amounts denominated in a currency other than Hong Kong dollars:

	The Group				The Company			
	2011		2010		**2011**		2010	
	'000		'000		**'000**		'000	
United States dollars	**USD**	**4**	USD	14,682	**USD**	**4**	USD	4
Australian dollars	**AUD**	**37,856**	AUD	36,029		**—**		—
Renminbi	**RMB**	**98,497**		—		**—**		—

23 Bank Overdraft

	The Group	
	2011	2010
	HK$'000	HK$'000
Unsecured bank overdraft (repayable within 1 year or on demand)	**—**	326

All of the Group's banking facilities are not subject to any fulfilment of covenants. Further details of the Group's management of liquidity risk are set out in note 27(b).

24 Trade and Other Payables

All of the trade and other payables are expected to be settled or recognised as income within one year except for an amount of HK$4,149,000 of the Group (2010: HK$4,613,000).

Included in trade and other payables are trade payables with the following ageing analysis as at the balance sheet date:

	The Group	
	2011	2010
	HK$'000	HK$'000
Due within 1 month or on demand	**96,525**	109,496
Due after 1 month but within 3 months	**179**	83
Due after 3 months but within 12 months	**650**	—
	97,354	109,579

25 Income Tax in the Consolidated Balance Sheet

(a) Tax recoverable in the consolidated balance sheet represents:

	2011	2010
	HK$'000	HK$'000
Provision for Hong Kong Profits Tax for the year	**17,323**	16,942
Provisional Profits Tax paid	**(15,000)**	(22,485)
	2,323	(5,543)
Balance of Profits Tax recoverable relating to prior years	**(33,978)**	(1,544)
	(31,655)	(7,087)

25 Income Tax in the Consolidated Balance Sheet (Continued)

(b) Tax payable in the consolidated balance sheet represents:

	2011 HK$'000	2010 HK$'000
Provision for Hong Kong Profits Tax for the year	1,136	8,719
Provisional Profits Tax paid	(734)	(3,540)
	402	5,179
Balance of Profits Tax provision relating to prior years	31,815	34,164
	32,217	39,343

(c) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Temporary differences arising from fixed assets HK$'000	Future benefit of tax losses HK$'000	Intra-group interest capitalised in properties under development HK$'000	Total HK$'000
Deferred tax arising from:				
At 1 January 2010	10,505	(16,706)	(19,598)	(25,799)
Charged to profit or loss (note 7(a))	2,034	3,496	13,578	19,108
At 31 December 2010 and 1 January 2011	12,539	(13,210)	(6,020)	(6,691)
Charged to profit or loss (note 7(a))	5,474	2,162	2,566	10,202
At 31 December 2011	18,013	(11,048)	(3,454)	3,511

25 Income Tax in the Consolidated Balance Sheet (Continued)

(c) Deferred tax assets and liabilities recognised: (Continued)

	The Group	
	2011	2010
	HK$'000	HK$'000
Represented by:		
Net deferred tax asset recognised in the consolidated balance sheet	**(5,961)**	(8,134)
Net deferred tax liability recognised in the consolidated balance sheet	**9,472**	1,443
	3,511	(6,691)

(d) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(r), the Group has not recognised the following deferred tax assets in respect of deductible temporary differences and cumulative tax losses as it is not probable that future taxable profit against which the deductible temporary differences and tax losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

	2011		2010	
	Deductible temporary differences/tax losses	**Deferred tax assets**	Deductible temporary differences/tax losses	Deferred tax assets
	HK$'000	**HK$'000**	HK$'000	HK$'000
(i) Excess of tax written down values over accounting carrying values of certain fixed assets	**149**	**25**	1,689	279
(ii) Tax losses	**68,281**	**11,266**	89,775	14,813
	68,430	**11,291**	91,464	15,092

26 Capital and Reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital HK$'000 (note 26(b))	Share premium HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2010		356,274	1,398,527	2,066,003	3,820,804
Changes in equity for 2010:					
Profit and total comprehensive income for the year		—	—	93,174	93,174
Dividends approved in respect of the previous year	11	—	—	(92,631)	(92,631)
Dividends declared in respect of the current year	11	—	—	(35,627)	(35,627)
Balance at 31 December 2010 and 1 January 2011		**356,274**	**1,398,527**	**2,030,919**	**3,785,720**
Changes in equity for 2011:					
Profit and total comprehensive income for the year		**—**	**—**	**98,128**	**98,128**
Dividends approved in respect of the previous year	11	**—**	**—**	**(92,631)**	**(92,631)**
Dividends declared in respect of the current year	11	**—**	**—**	**(35,627)**	**(35,627)**
Balance at 31 December 2011		**356,274**	**1,398,527**	**2,000,789**	**3,755,590**

26 Capital and Reserves (Continued)

(b) Share capital

	Number of shares		Nominal value	
	2011	2010	**2011**	2010
			HK$'000	HK$'000
Authorised:				
Ordinary shares of HK$1 each	**550,000,000**	550,000,000	**550,000**	550,000
Issued and fully paid:				
Ordinary shares of HK$1 each	**356,273,883**	356,273,883	**356,274**	356,274

There was no movement in share capital during the years ended 31 December 2011 and 2010.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

(ii) Securities revaluation reserve

The securities revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies adopted for the revaluation of securities (see note 1(f)).

(iii) Other capital reserves

Following the disposal of hotel properties, the other capital reserves comprise the unrealised profit on inter-company interest capitalised under investment properties and are dealt with in accordance with accounting policies set out in note 1(i).

26 Capital and Reserves (Continued)

(d) Distributability of reserves

The distributable reserves of the Company at 31 December 2011 amounted to HK$1,533,293,000 (2010: HK$1,563,377,000), as calculated under the provisions of section 79B of the Hong Kong Companies Ordinance. After the balance sheet date the directors proposed a final dividend of HK26 cents (2010: HK26 cents) per ordinary share, amounting to HK$92,631,000 (2010: HK$92,631,000) (note 11). This dividend has not been recognised as a liability at the balance sheet date.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern and ensure that it maintains a healthy capital ratio in order to support its business and provide returns for shareholders.

The Group actively and regularly reviews and manages its capital structure under the policy of prudent financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 2010.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 Financial Risk Management and Fair Values

Exposure to credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables and derivative financial instruments. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Transactions involving derivative financial instruments are also executed with counterparties of sound credit standing. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

27 Financial Risk Management and Fair Values (Continued)

(a) Credit risk (Continued)

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 7 to 45 days from the date of billing. Debtors with balances that are more than 60 days overdue are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is not influenced by the individual characteristics of each customer as the Group does not have a certain concentration of credit risk of the total trade and other receivables.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purposes. Transactions involving derivative financial instruments are with counterparties of sound credit standing and with whom the group has a signed netting agreement. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheets. Except for the financial guarantees given by the Group as set out in note 30, the Group does not provide any other guarantees to third parties which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

(b) Liquidity risk

The treasury functions of the Group is centralised at the head office. Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loan to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements, to ensure that it maintains sufficient reserves of cash from major financial institutions to meet its liquidity requirements in the short and longer term.

27 Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2011 Contractual undiscounted cash outflow					2010 Contractual undiscounted cash outflow				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000	Carrying amount at 31 Dec HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000	Carrying amount at 31 Dec HK$'000
Bank overdraft	–	–	–	–	–	326	–	–	326	326
Trade and other payables	170,233	2,628	1,521	174,382	174,382	182,194	3,233	1,380	186,807	186,807
	170,233	2,628	1,521	174,382	174,382	182,520	3,233	1,380	187,133	187,133

The Company

	2011 Contractual undiscounted cash outflow			2010 Contractual undiscounted cash outflow		
	Within 1 year or on demand HK$'000	Total HK$'000	Carrying amount at 31 Dec HK$'000	Within 1 year or on demand HK$'000	Total HK$'000	Carrying amount at 31 Dec HK$'000
Amounts due to subsidiaries	600,731	600,731	600,731	366,018	366,018	366,018
Trade and other payables	7,841	7,841	7,841	6,754	6,754	6,754
	608,572	608,572	608,572	372,772	372,772	372,772

27 Financial Risk Management and Fair Values (Continued)

(c) Currency risk

The Group is exposed to currency risk primarily through cash and cash equivalents that are denominated in a currency other than the Hong Kong dollars. The currencies giving rise to this risk are primarily Australian dollars and Renminbi.

In respect of cash and cash equivalents denominated in Australian dollars and Renminbi, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Other than the above, the Group has no significant exposure to foreign currency risk given its large asset base and operational cash flow primarily denominated in Hong Kong dollars.

Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

The Group

	2011		2010	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits HK$'000
Australian dollars	**10%**	**29,891**	10%	34,115
	(10%)	**(29,891)**	(10%)	(34,115)
Renminbi	**10%**	**12,135**	10%	—
	(10%)	**(12,135)**	(10%)	—

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profits after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for 2010.

27 Financial Risk Management and Fair Values (Continued)

(d) Equity price risk

The Group is exposed to equity price change arising from equity investments classified as available-for-sale securities (see note 17) and derivative financial instruments (see note 19). Other than unquoted securities held for strategic purpose, all of these investments are listed.

Listed investments held in the available-for-sale securities portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

The investment classified as derivative financial instruments is subject to changes in market prices. The exposure to price changes is managed by closely monitoring the changes in market conditions that may have an impact on the market prices or factor affecting the value of these Notes (see note 19).

Sensitivity analysis

At 31 December 2011, it is estimated that an increase/decrease of 10% (2010: 10%) in the market prices of the underlying investments in derivative financial instruments, with all other variables held constant, would have increased/decreased the Group's profit after tax (and retained profits) and other components of consolidated equity by approximately HK$Nil (2010: HK$5,573,000).

At 31 December 2011, it is estimated that an increase/decrease of 10% (2010: 10%) in the market prices of the investments in available-for-sale securities, with all other variables held constant would have increased/decreased the securities revaluation reserve by approximately HK$48,765,000 (2010: HK$59,376,000).

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the balance sheet date. The analysis is performed on the same basis for 2010.

(e) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, *Financial instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

27 Financial Risk Management and Fair Values (Continued)

(e) Fair values (Continued)

(i) Financial instruments carried at fair value (Continued)

The Group

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Available-for-sale securities:				
— Listed	**487,646**	**—**	**—**	**487,646**

	2010			
	Level 1	Level 2	Level 3	Total
Assets	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale securities:				
— Listed	593,717	—	—	593,717
Derivative financial instruments	—	55,732	—	55,732
	593,717	55,732	—	649,449

During the years ended 31 December 2011 and 2010, there were no significant transfers between instruments in Level 1 and Level 2 and there were no financial instruments categorised in Level 3.

27 Financial Risk Management and Fair Values (Continued)

(e) Fair values (Continued)

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2011 and 2010 except as follows:

	Note	2011 Carrying amount HK$'000	2011 Fair value HK$'000	2010 Carrying amount HK$'000	2010 Fair value HK$'000
The Group					
Amounts due from associates	(1)	5,131	—	4,141	—
Available-for-sale securities:					
— Unlisted	(2)	45	—	45	—
The Company					
Amounts due from associates	(1)	2,902	—	2,902	—
Available-for-sale securities:					
— Unlisted	(2)	45	—	45	—
Amounts due from subsidiaries	(3)	4,981,053	—	4,876,653	—

Notes:

(1) The amounts due from associates (except for HK$14,938,000 (2010: HK$30,550,000), due from 2OK) are unsecured, interest-free and have no fixed terms of repayment. Given these terms it is not meaningful to disclose their fair values.

(2) These investments do not have a quoted market price in an active market and whose fair value cannot be realiably measured. They are recognised at cost less impairment losses.

(3) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. Given these terms it is not meaningful to disclose their fair values.

(f) Estimation of fair values

The following summaries the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Listed securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) Derivative financial instruments

Fair value is based on the pricing model using the market closing prices of the underlying stocks and/or index, the volatilities, correlations and interest rates at the balance sheet date.

28 Operating Lease Commitments

At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011 **HK$'000**	2010 HK$'000
Within 1 year	**5,003**	4,848
After 1 year but within 5 years	**1,977**	4,639
	6,980	9,487

The Group leases a number of retail outlets and offices under operating leases. The leases typically run for an initial period of two years. Lease payments are usually fixed during the period of the leases. None of the leases includes contingent rentals.

29 Capital and Other Commitments

Capital and other commitments outstanding at 31 December 2011 not provided for in the Group's consolidated accounts were as follows:

	2011 **HK$'000**	2010 HK$'000
Contracted for	**1,101,366**	92,659
Authorised but not contracted for	**—**	930,724
	1,101,366	1,023,383

30 Contingent Liabilities

Financial guarantees issued

At 31 December 2011, the Company has issued guarantees to certain suppliers in respect of granting or giving credit facilities to its wholly-owned subsidiaries. Under the guarantees, the Company is liable to the amount due from the subsidiaries to these respective parties in the event of any default and its liability shall at no time exceed the sum stated on the letters of guarantee.

At the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees issued above is the outstanding amount due to the relevant suppliers by its wholly-owned subsidiaries, being HK$1,762,000 (2010: HK$1,942,000).

The Company has not recognised any deferred income in respect of the guarantees issued as its fair value cannot be reliably measured using observable market data and its transaction price was HK$Nil.

31 Material Related Party and Connected Transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to certain of the Company's directors and the highest paid employees as disclosed in notes 8 and 9 respectively, is as follows:

	2011 HK$'000	2010 HK$'000
Short-term employee benefits	**4,999**	4,715
Post-employment benefits	**40**	38
	5,039	4,753

Total remuneration is included in "staff costs" (see note 6(a)).

31 Material Related Party and Connected Transactions (Continued)

(b) Other material related party and connected transactions

(i) In 1998, the Group appointed a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD") as the development and sales manager (the "Project Manager") for the redevelopment of Metro Harbour View, Kowloon Inland Lot No. 11127 (the "MHV Property") in consideration for a fee equivalent to the aggregate of 1% of the construction cost and 0.5% of the gross proceeds of sale of the residential portion of the redevelopment. At 31 December 2011, an amount of HK$18,000,000 (2010: HK$18,000,000) payable to the Project Manager was included in trade and other payables.

In 1999, the Group entered into a development agreement (the "Agreement") with HLD and two wholly-owned subsidiaries of HLD ("HLD Sub"), whereby HLD Sub acquired the right to 50% of any proceeds from the future sale of the residential portion of the redevelopment for a consideration of HK$1,500,000,000.

As part of the Agreement, HLD Sub agreed to reimburse the Group 50% of its development expenditures relating to the residential portion of the MHV Property. At 31 December 2011, an amount of HK$7,997,000 (2010: HK$7,948,000) remained unpaid and was included in trade and other receivables.

(ii) In December 2001, a wholly-owned subsidiary of the Company acquired 50% equity interest in 2OK Company Limited ("2OK") which was set up to provide mortgage loans to the residential unit buyers of the MHV Property. HLD through its subsidiaries beneficially owned the remaining 50% equity interest in 2OK at 31 December 2011. During the year, the Group received management and administrative fees in the total of HK$500,000 (2010: HK$1,050,000) from 2OK. The Group and HLD Sub have made advances to 2OK to finance the latter's mortgage operation and interest was charged on amounts advanced. During the year, the Group received interest amounting to HK$420,000 (2010: HK$1,010,000) from 2OK. At 31 December 2011, the amount advanced by the Group totalling HK$14,938,000 (2010: HK$30,550,000) is in proportion to the Group's equity interest in 2OK and is unsecured and has no fixed repayment terms.

(iii) In December 2002, the Group appointed the Project Manager as the leasing and promotion agent of the commercial arcade of the MHV Property, Metro Harbour Plaza ("MHP"), for an initial term of two years at the remuneration of 5% of the monthly rental income from MHP and such agreement shall thereafter be renewable on the same terms from year to year until terminated by either party by giving three months' prior notice in writing. An amount of HK$1,277,000 (2010: HK$1,082,000) was charged to the Group for the year. At 31 December 2011, an amount of HK$697,000 (2010: HK$599,000) remained unpaid and was included in trade and other payables.

As the aforementioned agreement was renewable on the yearly basis until terminated by the either party, the Group had monitored the receipt of the funds during the year and confirm that this continued connected transaction was in normal commercial terms where each or all of the percentage ratios (other than the profits ratio) is on an annual basis:

1. less than 0.1%; or
2. less than 5% and the annual consideration is less than HK$1,000,000.

This continuing connected transaction is exempted from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

31 Material Related Party and Connected Transactions (Continued)

(b) Other material related party and connected transactions (Continued)

(iv) In May 2006, the Group appointed a wholly-owned subsidiary of HLD as the project manager for the development of Shining Heights, Nos. 220–222 Tai Kok Tsui Road, Kowloon, Hong Kong (the "TKT Property") for a term of three years commencing from 1 April 2006 in consideration for a fee equivalent to the aggregate of 1% of the construction cost, and other lump sum fees for supplementary services, subject to a total annual ceiling of HK$3,033,000 up to the period end of 31 March 2009. In September 2009, the project management agreement extension letter was signed which all the terms and conditions remain unchanged except to extend the period of payment for the respective ceiling of HK$3,000,000 and HK$3,000,000 for the nine months ended 31 December 2009 and year ended 31 December 2010 respectively. At 31 December 2011, an amount of HK$8,500,000 (2010: HK$8,500,000) remained unpaid and was included in trade and other payables.

(v) In May 2006, the Group also appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the development of the TKT Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Group together with the 5% fee shall be subject to a total annual ceiling of HK$16,000,000 up to the period end of 31 March 2009. In September 2009, the prime cost contract extension letter was signed which all the terms and conditions remain unchanged except to extend the period of payment for the respective ceiling of HK$5,500,000 and HK$6,500,000 for the nine months ended 31 December 2009 and year ended 31 December 2010 respectively. During the year ended 31 December 2010, as a result of change in the latest cost estimates, an amount of HK$5,515,000 and HK$276,000, represented a corresponding adjustment in fees, were credited to the Group in relation to the superstructure work of the development and the 5% fee on all works relating to the development of the TKT Property. During the year ended 31 December 2011, there was no change in cost estimates. At 31 December 2011, an amount of HK$9,491,000 (2010: HK$23,040,000), which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

31 Material Related Party and Connected Transactions (Continued)

(b) Other material related party and connected transactions (Continued)

(vi) In July 2009, the Group as landlord entered into a Lease Agreement with a wholly-owned subsidiary of HLD as tenant. Pursuant to the Lease Agreement, the tenant agreed to take the lease of certain shops and spaces of MHP for a term of two years commencing from 1 July 2009 at a monthly rental of HK$280,000 and other ancillary expenses and a turnover rent of 7% (if any) of annual gross turnover of the tenant's business over HK$142,241,000 which shall be payable monthly in arrears. The Group also entered into (i) a Wall Signage Licence Agreement for one external wall signage at MHP; and (ii) an Entrance Signage Licence Agreement for one signage at the entrances of MHP. An additional external wall signage was licensed to the tenant in October 2010 at an annual fee of HK$1,000 and expired on 30 June 2011.

In July 2011, the Group and the wholly-owned subsidiary of HLD agreed to renew their tenancy and licence agreements was for a term of three years commencing from 1 July 2011. Pursuant to the Tenancy Renewal Agreement, the tenant agreed to take the lease for a term of three years commencing from 1 July 2011 at a monthly rental of HK$350,000 and other ancillary expenses and a turnover rent of 7% (if any) of annual gross turnover of the tenant's business over HK$120,000,000 which shall be payable monthly in arrears. The Group also entered into (i) a Wall Signage Licence Agreement for fourteen external wall signages at MHP; and (ii) an Entrance Signage Licence Agreement for one signage at the entrances of MHP. Total annual licence fee payable under the Wall Signage Licence Agreement and the Entrance Signage Licence Agreement is HK$60,000 and HK$6,600 respectively.

The annual value of the aforementioned lease and licence was subjected to certain annual cap.

During the year, an amount of HK$7,666,000 (2010: HK$7,214,000), being aggregate rental and fees receivable under the aforementioned lease and licence, was credited to the Group.

(vii) In November 2008, the Group appointed a wholly-owned subsidiary of HLD as the sales manager for the TKT Property for a term of three years commencing from 1 November 2008 in consideration for a sales fee of 0.5% of the gross proceeds of sale of certain portions of the TKT Property, subject to the respective ceilings of HK$Nil, HK$2,000,000, HK$400,000 and HK$200,000 for the two months ended 31 December 2008, the years ended 31 December 2009 and 2010, and the ten months ended 31 October 2011 respectively. A total fee of HK$200,000 (2010: HK$400,000) was charged to the Group for the year. At 31 December 2011, an amount of HK$318,000 remained unpaid and included in trade and other payables.

(viii) In November 2008, the Group appointed a wholly-owned subsidiary of HLD as the agent of the Group for marketing of the TKT Property for the period from 16 June 2008 to the earlier of 15 December 2009 and the date on which the last residential unit in the TKT Property to be sold is sold, subject to the respective ceilings of HK$5,000,000 for the period from 16 June 2008 to 31 December 2008 and HK$8,500,000 for the year ended 31 December 2009. At 31 December 2011, an amount of HK$1,104,000 (2010: HK$1,104,000) remained unpaid and was included in trade and other payables.

31 Material Related Party and Connected Transactions (Continued)

(b) Other material related party and connected transactions (Continued)

(ix) In August 2009, the Group as tenant and a wholly-owned subsidiary of HLD as landlord entered into a Tenancy Agreement. Pursuant to the Tenancy Agreement, the tenant agreed to take the lease of a premise at Lai Chi Kok as sales office and show flats for the marketing of The Spectacle, No. 8 Cho Yuen Street, Yau Tong, Kowloon, Hong Kong for a term of three years commencing from 1 March 2009 at a monthly rental of HK$350,000 and other ancillary expenses. The annual ceiling for the ten months ended 31 December 2009, the year ended 31 December 2010 and 2011, and the two months ending 29 February 2012 were HK$2,500,000, HK$5,000,000, HK$5,000,000 and HK$1,000,000 respectively. A total fee of HK$3,586,000 was charged to the Group for the year ended 31 December 2010. At 31 December 2010, an amount of HK$767,000 remained unpaid and included in trade and other payables. The balance has been repaid during the year.

(x) In March 2011, the Group appointed a wholly-owned subsidiary of HLD as the project manager for the development of Fanling Sheung Shui Town Lot No. 177 (the "Fanling Property") for a term of three years commencing from 1 April 2011 in consideration for a fee equivalent to the aggregate of 0.7% of the construction costs of the Fanling Property and other lump sum fees for supplementary services subject to a ceiling of HK$7,000,000; and 0.5% of the gross proceeds of sales (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the total annual ceilings of the respective years. A total fee of HK$4,752,000 was charged to the Group for the year. At 31 December 2011, an amount of HK$4,752,000 remained unpaid and was included in trade and other payables.

(xi) In March 2011, the Group appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the Fanling Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to the total ceilings of the respective years. In accordance with the contract entered into with the Group, an amount of HK$23,762,000, of which HK$6,903,000 being cost of work carried out by the main contractor or the connected persons (as defined in the Listing Rules) of the Company and the 5% fee, was charged by the main contractor for the superstructure work of the development of the Fanling Property. At 31 December 2011, an amount of HK$23,762,000, which included amounts payable to other subcontractors through this main contractor, remained unpaid and was included in trade and other payables.

(xii) In March 2011, the Group appointed a wholly-owned subsidiary of HLD as the project manager for the development of Tung Chau Street Property located at No. 208 Tung Chau Street (formally No. 204–214, Tung Chau Street), Sham Shui Po, Kowloon, Hong Kong (the "TCS Property") for a term of three years commencing from 1 April 2011 in consideration for a fee equivalent to the aggregate of 1% of the construction costs of the TCS Property, subject to a ceiling of HK$1,490,000; and 0.5% of the gross proceeds of sale (but excluding those sale and purchase agreements which were effected by a third party sales agent) subject to the total annual ceilings of the respective years. A total fee of HK$1,292,000 was charged to the Group for the year. At 31 December 2011, an amount of HK$1,292,000 remained unpaid and was included in trade and other payables.

(xiii) In March 2011, the Group appointed another wholly-owned subsidiary of HLD as the main contractor for a fee of 5% on all works relating to the TCS Property. The aggregate of the cost of works carried out by the main contractor or any connected persons (as defined in the Listing Rules) of the Company together with the 5% fee shall be subject to the total ceilings of the respective years. The construction has not commence. No cost has been charged for the year ended 31 December 2011.

31 Material Related Party and Connected Transactions (Continued)

(b) Other material related party and connected transactions (Continued)

(xiv) At 31 December 2011, HLD (as defined in the Listing Rules) beneficially owned approximately 31.36% of the entire issued share capital of the Company.

Dr. Lee Shau Kee, a director of the Company, is interested in the above transactions as a substantial shareholder of HLD.

To the extent the above transactions constituted connected transactions as defined in the Listing Rules, the Group had complied with the relevant requirements under Chapter 14A of the Listing Rules.

32 Non-Adjusting Events after the Reporting Period

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 11.

33 Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year Ended 31 December 2011

Up to the date of issue of these accounts, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these accounts. These include the following which may relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, *Financial instruments: Disclosures — Transfers of financial assets*	1 July 2011
Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*	1 July 2012
HKFRS 9, *Financial instruments*	1 January 2015
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Five Years' Summary of Assets and Liabilities

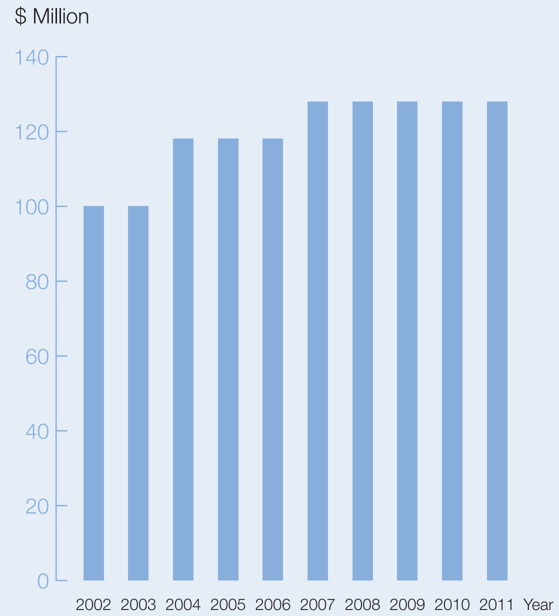
Year	2007 HK$ Million	2008 HK$ Million	2009 HK$ Million	2010 HK$ Million	**2011 HK$ Million**
Fixed assets and interest in leasehold land	950	1,034	1,106	1,184	**1,247**
Interest in associates	152	109	80	40	**25**
Properties under development	1,007	476	—	1,511	**2,050**
Investments	841	330	854	661	**499**
Deferred tax assets	58	74	28	8	**6**
Current assets	1,098	1,499	2,396	1,249	**1,118**
Total assets	4,106	3,522	4,464	4,653	**4,945**
Total liabilities	393	549	363	228	**216**
Net assets employed	3,713	2,973	4,101	4,425	**4,729**

Ten Years' Financial Summary

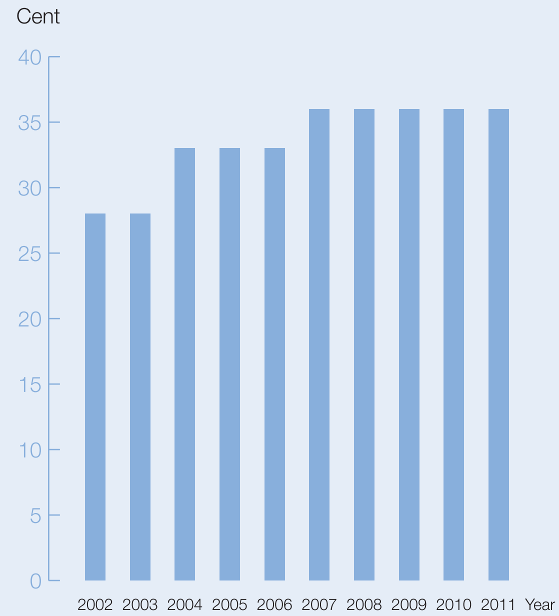
Year		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Turnover	HK$M	1,345	1,041	994	764	708	673	522	2,139	912	635
Profit/(loss) attributable to shareholders	HK$M	341	265	328	257	131	389	(527)	1,095	483	565
Dividends	HK$M	100	100	118	118	118	128	128	128	128	128
Shareholders' funds	HK$M	3,060	3,006	3,207	3,381	3,411	3,713	2,973	4,101	4,425	4,729
Earnings/(loss) per share	Cent	95.8	74.3	92.0	72.1	36.8	109.2	(147.9)	307.5	135.6	158.6
Dividend per share	Cent	28.0	28.0	33.0	33.0	33.0	36.0	36.0	36.0	36.0	36.0
Dividend cover	Times	3.4	2.6	2.8	2.2	1.1	3.0	—	8.5	3.8	4.4
Return/(loss) on equity	%	11.1	8.8	10.2	7.6	3.9	10.5	(17.7)	26.7	10.9	12.0
Net assets per share	HK$	8.6	8.4	9.0	9.5	9.6	10.4	8.3	11.5	12.4	13.3

Ten Years' Financial Summary (Continued)

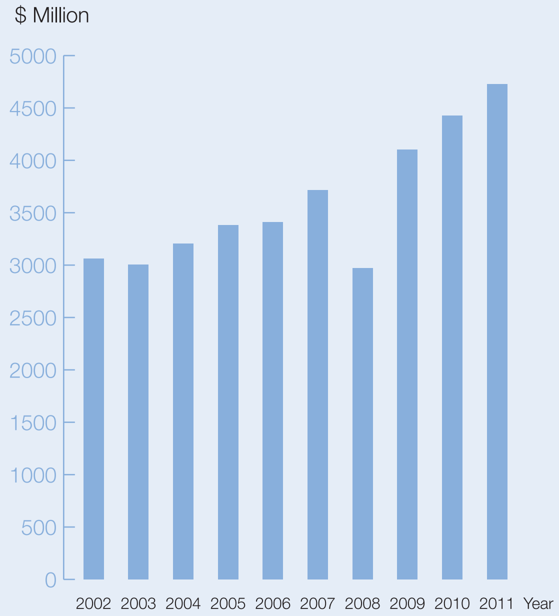
DIVIDENDS



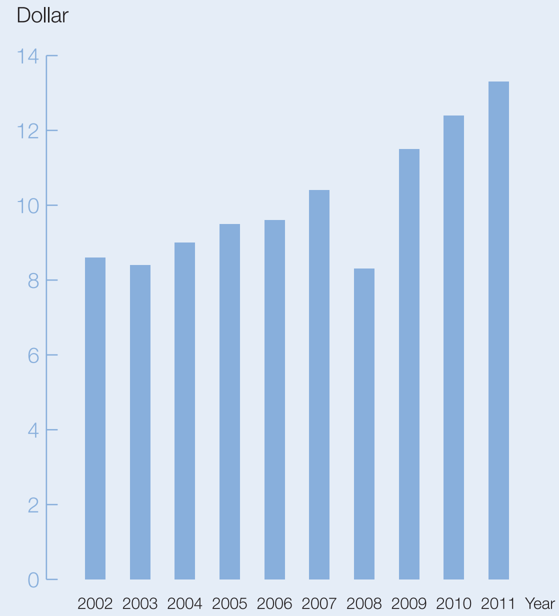
DIVIDEND PER SHARE



SHAREHOLDERS' FUNDS



NET ASSETS PER SHARE



Group Properties

As at 31 December 2011

1. Properties under development

Location	Lot No.	Site area (sq.m.)	Gross floor area (sq.m.)	Group's interest (%)	Intended use
177, Fanling, Sha Tau Kok Road — Lung Yeuk Tau	F.S.S.T.L. 177 (S.T.T. 1364(N))	8,900	50,278	100	Commercial and residential
204–214 Tung Chau Street	NKIL 48, s.B. R.P., s.B.ss.1R.P., R.P., s1& sH	614	5,016	100	Commercial and residential
Junction of Gillies Avenue South & Bulkeley Street, Hung Hom	Hung Hom I.L. No. 555	582	5,240	100	Commercial and residential

2. Properties held for sale

Location	Lot No.	Gross floor area (sq.m.)	Group's interest (%)	Existing use
Shining Heights 83 Sycamore Street	KIL 11159	3,881*	100	Residential
The Spectacle 8 Cho Yuen Street Yau Tong	Yau Tong Inland Lot No. 38	689*	100	Residential

As at 31 December 2011

3. Properties held for investment

Location	Lot No.	Gross floor area (sq.m.)	Lease expiry (year)	Existing use
Metro Harbour Plaza 8 Fuk Lee Street Tai Kok Tsui	KIL 11127 RP	23,549	2047	Commercial arcade
Leyburn Villa Cheung Sha	DD 332, Lot No. 695	405	2047	Residential
20 Tin Dai Yan Road Chung Uk Tsuen Hung Shui Kiu	Lot Nos. 3039A, 3039RP & 3042 in DD 124 Hung Shui Kiu	1,912	2047	Godown
Shining Heights 83 Sycamore Street	KIL 11159	2,469	2054	Commercial arcade
The Spectacle 8 Cho Yuen Street Yau Tong	Yau Tong Inland Lot No. 38	2,300	2047	Commercial arcade
52–56 Kwun Chung Street	KIL 1697	1,320	2080	Residential/ Commercial

4. Other properties

Location	Lot No.	Site area (sq.m.)	Lease expiry (year)	Group's interest (%)	Description
98 Tam Kon Shan Road Ngau Kok Wan North Tsing Yi	Tsing Yi Town Lot No. 102	19,740	2047	100	Shipyard and office
Mui Wo	DD 2 Lot Nos. 614 RP, 619 Sec. B, C and RP	4,233	2047	100	Agricultural land
Mui Wo	DD 2 Lot Nos. 431–487, 569 and 635–637	28,606	2047	50	Agricultural land
Mui Wo	DD 2 Lot Nos 498–499, and 588–591	849	2047	100	Agricultural land

* The area represents gross floor area of unsold units at 31 December 2011.

Fanling Sheung Shui Town Lot No. 177
粉嶺上水市地段第一百七十七號

The Group acquired at a public land auction in May 2010, Fanling Sheung Shui Town Lot No. 177 located at the junction of Ma Sik Road and Sha Tau Kok Road (Lung Yeuk Tau Section), Area 19, Fanling, New Territories with a site area of approximately 95,800 sq.ft. designated for residential-cum-commercial use. The development comprises 3 residential towers built on a 2 storey commercial podium with a total gross floor area of approximately 540,000 sq.ft. The Group expects that the residential units of the project to be sold in the second half of the year.

集團於二零一零年五月透過政府公開土地拍賣會上購入新界粉嶺上水市地段第一百七十七號，位於新界粉嶺第十九區馬適路與沙頭角公路(龍躍頭段)交界之土地，該土地面積約為九萬五千八百平方呎，計劃發展為住宅及商業用途，由三幢大樓及兩層商場組成，樓面總面積預計約為五十四萬平方呎。集團預算將於下半年度發售該項目之住宅單位。

The Spectacle
嘉賢居

8 Cho Yuen Street, Yau Tong
油塘草園街8號

The residential units are currently on sale and 4 units remained to be sold as at year end 2011. The total gross floor area is approximately 165,000 sq.ft., comprising 140,000 sq.ft. for residential use and 25,000 sq.ft. for non-residential use.

住宅單位現正發售及截至二零一一年尾，四個單位尚待出售。該項目總樓面面積約為十六萬五千平方呎，其中住宅樓面面積約為十四萬平方呎，非住宅樓面面積約為二萬五千平方呎。

Shining Heights
亮賢居

83 Sycamore Street
詩歌舞街83號

The residential units are currently on sale and 18 residential units remained to be sold as at year end 2011. The project is a 60-storey building, 700 feet high, with gross floor area of approximately 336,000 sq.ft. It is the highest building in the district with commanding views of the Central District and the Lion Rock. The spacious clubhouse of approximately 30,000 sq.ft. has comprehensive facilities, including Star Theatre with the latest Stewart 138" perforated curve screen, outdoor swimming pool, banquet room, gymnasium, spa area, karaoke room, children play area, and sauna rooms, etc.

住宅單位現正發售及截至二零一一年年底，十八個住宅單位尚待出售。該項目為樓高六十層，高七百呎，總樓面約三十三萬六千平方呎，乃該區最高之大廈，可遠眺中環及獅子山景緻，寬敞之住戶會所面積約三萬平方呎，設備先進完臻，備有最新Stewart 138吋弧形大銀幕之星光影院、室外游泳池、宴會廳、健身室、水療閣、卡拉OK室、兒童遊樂天地及桑拿浴室等設施。

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