百仕達控股有限公司

SINOLINK WORLDWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1168)

2011 ANNUAL REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Ou Yaping *(Chairman)*
Tang Yui Man Francis *(Chief Executive Officer)*
Chen Wei
Xiang Ya Bo

Non-executive Directors
Law Sze Lai
Li Ningjun

Independent Non-executive Directors
Tian Jin
Xiang Bing
Xin Luo Lin

AUTHORISED REPRESENTATIVES

Ou Yaping
Tang Yui Man Francis

COMPANY SECRETARY

Lo Tai On

AUDIT COMMITTEE

Tian Jin
Xiang Bing
Xin Luo Lin *(Chairman)*

NOMINATION COMMITTEE

Tang Yui Man Francis
Tian Jin *(Chairman)*
Xiang Bing
Xin Luo Lin

REMUNERATION COMMITTEE

Ou Yaping
Xiang Bing
Xin Luo Lin *(Chairman)*

AUDITOR

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

REGISTERED OFFICE

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2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

28th Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Telephone	:	(852) 2851 8811
Fascimile	:	(852) 2851 0970
Stock Code	:	1168
Website	:	http://www.sinolinkhk.com

PRINCIPAL SHARE AND CONVERTIBLE BOND REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group
(Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke, HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong
Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

HONG KONG BRANCH SHARE TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
Shops 1712 – 1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

LEGAL ADVISORS

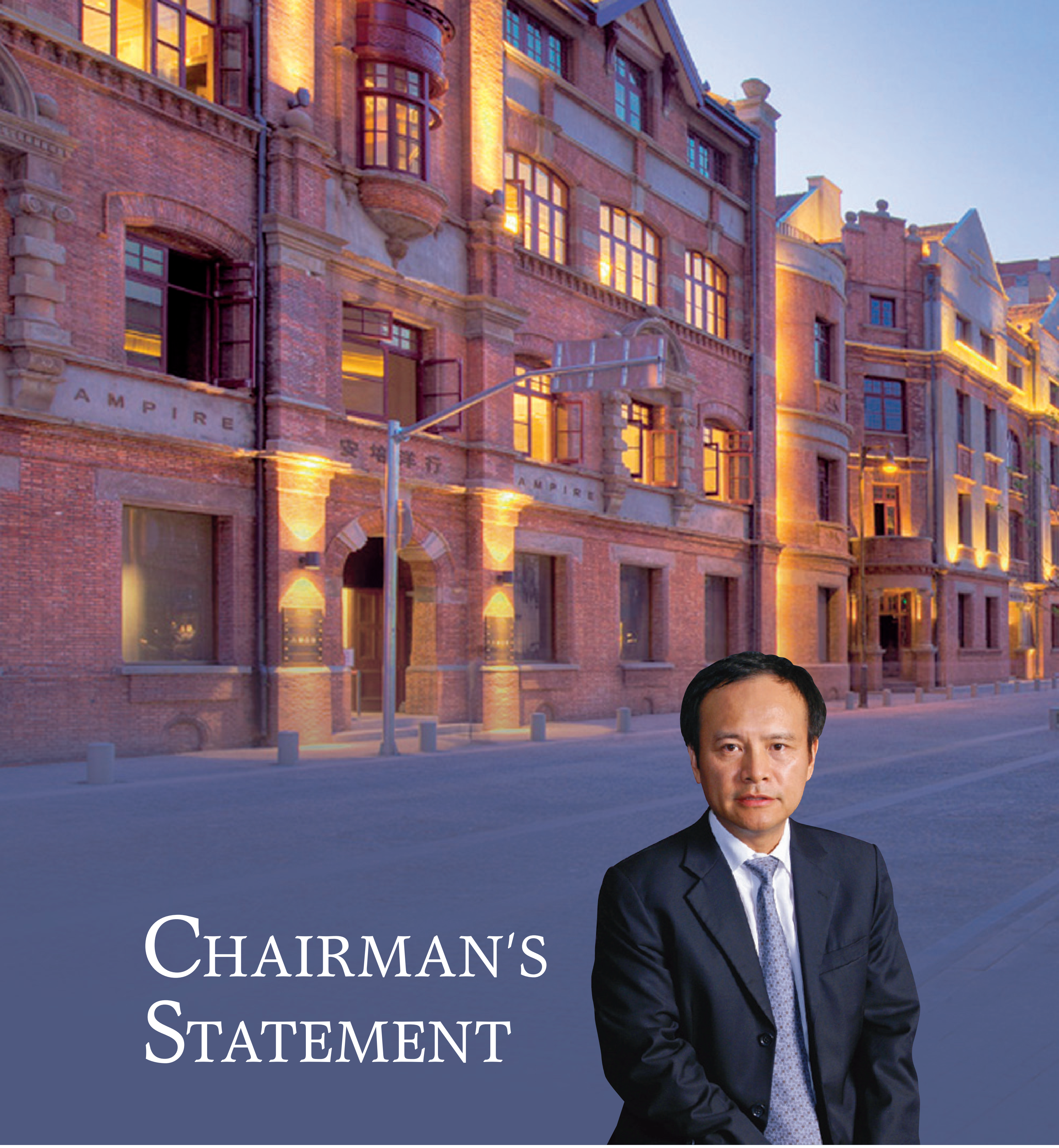
(As to Hong Kong Law)
Cleary Gottlieb Steen & Hamilton (Hong Kong)
Deacons
Jackson Woo & Associates in
association with Ashurst Hong Kong
Norton Rose
Tsang, Chan & Wong
Woo, Kwan, Lee & Lo

(As to Bermuda Law)
Conyers Dill & Pearman

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China
Bank of Ningbo
China Construction Bank Corporation
China Merchants Bank
Industrial and Commercial Bank of China
Ping On Bank

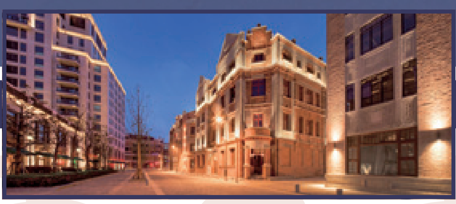
CONTENTS

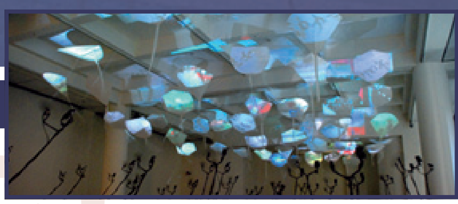


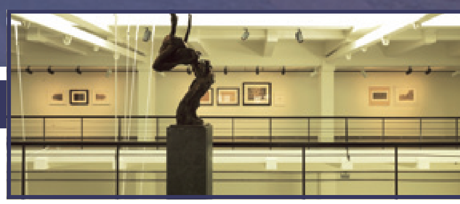
Chairman's Statement

Ou Yaping Chairman

On behalf of the board of directors (the "Board") of Sinolink Worldwide Holdings Limited ("Sinolink" or the "Company"), I present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.







BUSINESS REVIEW

For the year ended 31 December 2011, the Group's core businesses remained property development, investment and management. Turnover from operating activities amounted to HK$349.2 million and profit attributable to owners of the Group amounted to HK$375.2 million. Basic earnings per share (the "Share") was HK10.59 cents. The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: nil).

2011 marked an important turning point for the PRC's macro economy and housing industry. From a macroeconomic perspective, the year saw the end of the Mainland's torrid growth cycle beginning 2003, as macroeconomic policy began gradually returning to normal and the extended loose monetary policy giving way to a steady stance. As for the Chinese real estate industry, it also reached a tipping point in the face of stringent control measures, regressing from a period of rapid growth towards a normal average.

At Sinolink, we remain focused on maximizing the value of our resources to build quality products. By injecting long-lasting vitality elements into our sites and developments, and pursuing the use of innovative construction techniques, distinctive architectural styles and unique development models to accomplish appealing aesthetics, we strive to put a perfect combination of architectural and living values into practice. We employ the latest technology to better manage life essentials and to explore the unlimited realms of culture and technology for enhancing future lives. We aim to create a lifestyle that is environmental, comfortable, efficient and intelligent, integrating organically the essence of life with an aesthetical architecture and design in a cultural and tasteful manner.

PROSPECTS

2012 will be a critical year for the PRC to build the base for a new round of economic growth. Macro-control measures adopted in 2011 are expected to maintain their effects as the economy continues to grow at a steady pace. With uncertainties of the world economy and consolidation of the local housing market in store, the Mainland is likely to experience some volatility in its economic development. Maintaining economic growth and price stability will be the major goals of macroeconomic regulation and control.

The PRC's real estate market has experienced major changes in 2011. Entering 2012, the market is expected to gradually return to normal. As prices and transaction volume eventually find their bottoms, it could prelude the opening of an era of steady and healthy development.

As such, 2012 is a year of opportunities and risks. Taking advantage of the Group's deep understanding of national policies, we strive to create a unique operating framework that can cope with the complexity of the environment. We will combine our forward-looking vision and pragmatic business model to enhance our operating framework. This will enable us to secure a favourable position in the ever-changing market environment, as well as our capacity and capability of sustainable growth that can generate satisfactory returns for our shareholders.

APPRECIATION

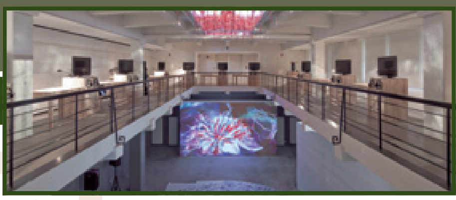
The Group's achievements were attributed to the concerted efforts of the management and all staff. On behalf of the shareholders and my fellow board members, I would like to express our gratitude to all of them.

Ou Yaping
Chairman
Hong Kong, 27 March 2012

Chief Executive Officer's Report

Tang Yui Man Francis Chief Executive Officer

2011 has been a highly challenging year
for the PRC's real estate industry.
As regulatory and control measures persist and intensify, the industry is undergoing a qualitative change that will take all players to a new arena.



BUSINESS REVIEW

2011 was a year of fast and furious changes ever seen in the Mainland's housing reforms. The sweeping changes in government's real estate policies were so significant that they poised to have a major impact not only on the housing market this year but also on the trends governing the whole sector throughout the period of the twelve five-year plan.

As a result of an intensive launch of regulatory and control policies, liquidity became exceedingly tight for real estate developers across the Mainland in 2011, with a cooling market firmly in place that was marked by diminishing transaction volumes and falling prices. Moreover, as the government pushed ahead the building of large numbers of affordable flats, the supply-demand balance in the real estate market was also tilting. These however did not sway the government's determination to continue with policy measures aimed at further strengthening its success in regulating the property market.

According to market data, 2.977 million square meters of commodity houses were sold in Shenzhen in 2011, a decrease of 13.90% compared to 2010. In Shanghai, 18.07 million square meters of commodity houses were sold in 2011, a decline of 11.03% from 2010.

For the year ended 31 December 2011, the Group's turnover amounted to HK$349.2 million, a decrease of 72.7% compared to last year. Gross profit dropped by 75.3% to HK$194.6 million. Profit attributable to owners of the Company fell by 33.0% to HK$375.2 million. Basic earnings per share amounted to HK10.59 cents, a decline of 33.0% compared to last year. As the Group had only a small amount of properties available for sale, which comprised the remaining units of *The Mangrove West Coast* and *The Seasons*, a significant decline in sales area, turnover and profit was recorded.

PROPERTY SALES

For the year ended 31 December 2011, the Group through its property development arm Sinolink Properties Limited recorded a turnover of HK$134.3 million from property sales, a decrease of 87.8% compared to HK$1,096.7 million in 2010. The Group sold a total gross floor area ("GFA") of approximately 3,333 square meters during the year, which was 87.9% less compared to 27,468 square meters recorded a year ago. Property sales for the year were derived from the sale of *The Mangrove West Coast* and *The Seasons*. During the year, gross profit of property sales declined by 91.0% to HK$63.4 million compared to HK$705.0 million a year ago. The average selling price of *The Seasons* increased by 26.4% to RMB35,785 per square meter. *The Mangrove West Coast* sold at an average selling price of RMB45,438 per square meter that was 6.4% higher compared to last year.

PROPERTY RENTAL

For the year ended 31 December 2011, total rental income amounted to HK$77.8 million, an increase of 24.6% over last year. The increase was mainly attributable to the full-year contribution from *The Vi City*, a major commercial complex of Sinolink Garden Phase Five opened in April 2010. With a GFA of 39,434 square meters, *The Vi City* has approximately 140 tenants and is fully let.

PROPERTIES UNDER DEVELOPMENT

As at 31 December 2011, the Group has the following properties under development:

(1) *Sinolink Tower*, the hotel and office complex of Sinolink Garden Phase Five located in Luowu district in Shenzhen, has a GFA of 50,000 square meters of which hotel space occupies 30,000 square meters. *Sinolink Tower* is undergoing internal decoration and intelligent engineering works. Letters of intention have been signed with potential tenants for approximately 90% of the office space, which is expected to be opened in the second half of 2012. The hotel section is expected to commence operation in 2013.

(2) *Rockbund*, located on the Bund in Shanghai, is an integrated property development project. The project has a total site area of 18,000 square meters with a GFA of 94,080 square meters comprising preserved heritage buildings and new structures. The Group intends to redevelop this historical site and structures into an upscale mixed-use neighborhood, with residential, commercial, retail, offices and cultural facilities. Some of the preserved heritage buildings have commenced operations since May 2010 with rental activities in progress. The whole project is expected to be completed in 2014.

(3) *Ningguo Mansions*, the 13,599.6 square meter site with a plot ratio of 1.0 at Changning District in Shanghai, will be developed into 11 quadrate court houses, each with a GFA of 1,000 to 1,500 square meters. David Chipperfield Architects, a British architecture design company, is responsible for the construction and decoration design of the project. *Ningguo Mansions* is located in one of the most accessible and luxury living districts in Shanghai. The land is situated in a low density neighbourhood with luxury residential properties around, and is conveniently located being approximately 10 minutes from the airport and approximately 30 minutes from the city center by car.

During the year, *Ningguo Mansions* completed its main structure and commenced electrical, mechanical and landscaping works. The project is expected to receive acceptance check for completed construction and commence decoration in the second half of 2012.

MAJOR ASSOCIATE

The Group recorded a share of gain of an associate, Rockefeller Group Asia Pacific, Inc., at an amount of HK$26.0 million, an increase of 95.6% over last year, due to an increase in the fair value of investment properties held by the associate.

During the year, *Rockbund* made steady progress in leasing works for its six preserved heritage buildings. As at 31 December 2011, eight corporations have entered into leasing agreements, of which five have finished decoration and opened for business. The Group has also made dialogues with a large number of retailers, office users and food and beverage operators during the year, and engaged in active discussions with those who align with the positioning of *Rockbund*.

OTHER BUSINESSES

Other businesses within the Group include property, facilities and project management provided by the Group's property management division. For the year ended 31 December 2011, the Group recorded revenue from other businesses of HK$137.1 million, an increase of 12.6% compared to last year.

PROSPECTS

The intensive measures introduced in 2011 under the regulatory policies have had a severe impact on the Mainland's real estate market. Cities with limits on home purchases recorded significantly lower transaction volumes compared to the previous year, and the decline in housing prices have extended widely from first-tier municipalities to second- and third-tier cities. These adjustments in the real estate market are in line with government expectations and in the interest of the industry's long-term development. Hence, we expect the "soft landing" of the real estate industry to become a major focus of the Mainland's macro-control in 2012.

In the coming year, we will keep abreast with the changes in the governing policies for the real estate industry and closely monitor the market momentum to seize opportunities that may arise from the macro-control measures and market adjustments. We will continue to explore new business models that can cope with the new trends in the real estate market and strive for breakthroughs in our market expansion and new project development so as to lay a solid foundation for the Group's future development.

FINANCIAL REVIEW

The Group's financial position remains strong with a low debt leverage and strong interest cover. The Group's total borrowings decreased from HK$732.3 million as at 31 December 2010 to HK$407.8 million as at 31 December 2011. The total borrowings as at 31 December 2011 included bank loans of HK$383.6 million and liability component of the convertible bonds of HK$24.2 million. Gearing ratio as at 31 December 2011, calculated on the basis of total borrowings over shareholders' equity, was 5.7% compared to 11.1% as at 31 December 2010. The Group is in a net cash position and bank borrowings are mainly arranged at floating interest rates.

Total assets pledged in securing these loans had a carrying value of HK$481.5 million as at 31 December 2011. The borrowings of the Group are denominated in RMB and HKD. As the entire operation of the Group is carried out in the PRC, substantial receipts and payments in relation to operation are denominated in RMB. No financial instruments have been used for hedging purpose; however, the Board will continue to evaluate and closely monitor the potential impact of RMB appreciation and interest rates movement on the Group.

The Group's cash and cash equivalents amounted to HK$4,313.0 million (including pledged deposits) as at 31 December 2011 and were mostly denominated in RMB, HKD and USD.

REDEMPTION OF CONVERTIBLE BONDS

In August 2011, the Company entered into a redemption agreement with some of the holders of the Company's convertible bonds, pursuant to which the Company redeemed convertible bonds in an aggregate amount of HK$315 million at face value. As at 31 December 2011, the outstanding principal amount of the convertible bonds was HK$25 million.

Pursuant to Hong Kong Accounting Standards, the convertible bonds issued by the Company should be valued based on market fair value. By reference to professional valuations conducted by an independent valuer, a gain of HK$50.4 million was recognized by the Group for the year on the derivative components of the convertible bonds.

CAPITAL COMMITMENTS

As at 31 December 2011, the Group had capital commitments in respect of properties under constructions and commitments in respect of properties under development amounting to HK$623.0 million and HK$123.4 million respectively.

CONTINGENT LIABILITIES

Guarantees given to banks as security for the mortgage loans arranged for the purchasers of the Group's properties amounted to HK$74.6 million.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, the Group employed approximately 798 full time employees for its principal activities. The Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the year ended 31 December 2011.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors. The members of the Audit Committee are Mr. Tian Jin, Dr. Xiang Bing and Mr. Xin Luo Lin. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The audited financial statements of the Company for the year ended 31 December 2011 have been reviewed by the audit committee.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to all staff for their devoted efforts and hard work.

Tang Yui Man Francis
Chief Executive Officer

Hong Kong, 27 March 2012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JOYCE 40th

EXECUTIVE DIRECTORS

Mr. Ou Yaping, aged 50, was appointed as the chairman and an executive director of the Company in December 1997. Mr. Ou is the founder, the substantial shareholder of the Group and a member of remuneration committee of the Company. Mr. Ou also serves as the chairman of the board of Rockbund Art Museum and a trustee for The Nature Conservancy's Asia Pacific and China Program. He was previously a director of China Merchants Bank and had held offices in a number of trading companies and investment companies. Mr. Ou holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC and is also the vice chairman of the board of the Beijing Institute of Technology. Mr. Ou is a brother of Mr. Xiang Ya Bo, an executive director of the Company. He is also the director and shareholder of Asia Pacific Promotion Limited ("Asia Pacific"), a substantial shareholder of the Company, whose interest in shares of the Company is disclosed in the section of "Substantial Shareholder". He resigned as the chairman and an executive director of Enerchina Holdings Limited ("Enerchina"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 27 March 2012. He was an executive director of Towngas China Company Limited, a company listed on the Stock Exchange, during 2000-2011. Save as disclosed above, Mr. Ou has not held any directorship in other listed public companies in the past three years.

Mr. Tang Yui Man Francis, aged 49, was appointed as an executive director of the Company in September 2001 and the chief executive officer in 2002 as well as a member of nomination committee of the Company since 27 March 2012. He is also an executive director of Enerchina, a company listed on the Stock Exchange. Mr. Tang holds a Bachelor's degree in Computer Studies from the University of Victoria in Canada and a Master of Business Administration degree from The City University of New York in the United States. Mr. Tang has numerous years of experience in management, accounting and finance. Mr. Tang is responsible for corporate planning, strategic development and financial planning and management of the Group. He was an alternate director to Mr. Ou Yaping of Towngas China Company Limited, a company listed on the Stock Exchange, during 2007-2011. Save as disclosed above, Mr. Tang has not held any directorship in other listed public companies in the past three years.

Mr. Chen Wei, aged 50, was appointed as an executive director of the Company in December 1997. He is also an executive director, the chairman and a member of remuneration committee of Enerchina, a company listed on the Stock Exchange. Mr. Chen holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC. Mr. Chen was previously employed by a number of large organisations and has over 26 years of experience in engineering, business administration, market development and management. Mr. Chen joined the Group in February 1992 and is responsible for the overall business development, management and strategic planning of the Group. He was an executive director of Towngas China Company Limited, a company listed on the Stock Exchange, during 2001-2009. Save as disclosed above, Mr. Chen has not held any directorship in other listed public companies in the past three years.

Mr. Xiang Ya Bo, aged 55, was appointed as an executive director of the Company on 28 March 2011. He is also an executive director and a member of remuneration committee of Enerchina, a company listed on the Stock Exchange, and a director and the general manager of Sinolink Properties Limited, a subsidiary of the Company. He is a brother of Mr. Ou Yaping, the chairman of the Board, an executive director and a substantial shareholder of the Company. He graduated with an engineering degree. Mr. Xiang has over 26 years of experience in the field of corporate management, investment management and technical administration on computer technologies and e-commerce. Save as disclosed above, Mr. Xiang has not held any directorship in other listed public companies in the past three years.

NON-EXECUTIVE DIRECTORS

Mr. Law Sze Lai, aged 69, was appointed as an executive director of the Company in December 1997 and redesignated as a non-executive director in September 2007. He is also the chairman of supervisory committee of Sinolink Properties Limited. Mr. Law was employed by a number of real estate companies in the PRC. He is a qualified economist in the PRC and has over 23 years of experience in property development. Mr. Law joined the Group in 1992. Save as disclosed above, Mr. Law did not hold any directorship in other listed public companies in the past three years.

Mr. Li Ningjun, aged, 47, was appointed as an executive director of the Company in September 2007 and redesignated as a non-executive director in June 2009. He is also a director of Sinolink Properties Limited and the chief executive officer of Shanghai Bund de Rockefeller Group Master Development Co. Ltd. Mr. Li holds a Master Degree of Civil Engineering and Construction in Changsha Railway University (now known as Central South University) and a Master Degree of Business Administration from China Europe International Business School. He joined the Group in 1995 as a director of sales and marketing, a director of planning and development, and deputy general manger of Sinolink Properties Limited. Mr. Li has over 19 years of experience in the field of property design and development, construction management, cost management, sales and marketing, business and strategic planning. Mr. Li did not hold any directorship in other listed public companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tian Jin, aged 54, was appointed as an independent non-executive director of the Company in May 2005. He is also a member of audit committee and chairman of nomination committee of the Company. Mr. Tian holds a Bachelor of Arts from Hunan University, Master of Arts from Wuhan University and Doctorate in Administration and Management from Auburn University. He is the Principal of Tur Partners LLC effective from 14 November 2011. Before joining Tur Partners LLC, Mr. Tian served as CEO of Morningstar Asia and Chairman of Morningstar China and was a lecturer of Hunan University, visiting professor of Auburn University, Director of Academic Technology Development of DePaul University, Director of Institutional Planning and Research of DePaul University. Mr. Tian has not held any directorship in other listed public companies in the past three years.

Dr. Xiang Bing, aged 50, was appointed as an independent non-executive director of the Company in December 2008. He is also a member of audit committee, remuneration committee and nomination committee of the Company. Dr. Xiang obtained a Doctoral degree in accounting from the University of Alberta in Canada. Dr. Xiang is currently the founding dean and a professor of the Cheung Kong Graduate School of Business（長江商學院）. He is an independent non-executive director and a member of audit committee and remuneration committee of China Dongxiang (Group) Co., Ltd, Dan Form Holdings Company Limited, HC International, Inc. and Longfor Properties Co., Ltd.; an independent non-executive director and a member of audit committee, remuneration committee and nomination committee of Enerchina; an independent non-executive director and the chairman of audit committee and remuneration committee and a member of nomination committee of Peak Sport Products Co., Limited, all of which are companies listed on the Stock Exchange. Dr. Xiang is also an independent non-executive director and a member of audit committee, remuneration committee and nomination committee of LDK Solar Co. Ltd. and an independent non-executive director and a member of audit committee of E-House (China) Holdings Limited, both are listed on the New York Stock Exchange and an independent non-executive director and a member of audit committee and remuneration committee of Perfect World Co., Ltd., a company listed on Nasdaq. He is an independent non-executive director and a member of audit committee and Strategic committee and the chairman of remuneration committee of Yunnan Baiyao Group Co., Ltd., a company listed on the Shenzhen Stock Exchange. He was a director of Jutal Offshore Oil Services Limited, a company listed on the Stock Exchange, a director of Shenzhen Terca Technology Co., Ltd.（深圳市特爾佳科技股份有限公司）, TCL Corporation（TCL集團股份有限公司）, Shaanxi Qinchuan Machine Development Co., Ltd.（陜西秦川機械發展股份有限公司）and Guangdong Midea Electric Appliances Co. Ltd.（廣東美的電器股份有限公司）, all are listed on Shenzhen Stock Exchange, a director of Wuhan Jianmin Pharmaceutical Groups Co., Ltd.（武漢健民藥業集團股份有限公司）, a company listed on the Shanghai Stock Exchange. Dr. Xiang resigned as an independent non-executive director of E Fund Management Co., Ltd, a company listed on the Shenzhen Stock Exchange, on 29 June 2010 and he resigned as an independent non-executive director and the chairman of remuneration committee of Little Sheep Group Limited, a company listed on the Stock Exchange, on 1 February 2012. Save as disclosed above, Dr. Xiang has not held any directorship in other listed public companies in the past three years.

Mr. Xin Luo Lin, aged 63, was appointed as an independent non-executive director of the Company in June 2002. He is also the chairman of audit committee and remuneration committee and a member of nomination committee of the Company. Mr. Xin postgraduated from the Peking University in the PRC and is the Justice of Peace in New South Wales of Australia. Mr. Xin is also an independent non-executive director, chairman of audit committee and remuneration committee and a member of nomination committee of Enerchina; independent non-executive director, member of audit committee and remuneration committee of Central China Real Estate Limited; non-executive director of Asian Capital Holdings Limited; non-executive director of Sino-Tech International Holdings Limited and non-executive director of China Environmental Technology Holdings Limited, all are listed companies on the Stock Exchange; a director of Mori Denki Mfg. Co., Ltd., a listed company on the Tokyo Stock Exchange and a director and the Vice Chairman of Oriental Technologies Investment Limited, a listed company on the Australian Stock Exchange. Save as disclosed above, Mr. Xin has not held any directorship in other listed public companies in the past three years.

CHIEF FINANCIAL OFFICER

Mr. Li Fujun, aged 49. He holds a Bachelor of Engineering degree from Tsinghua University and a Master of Economics degree from the University of International Business and Economics. Mr. Li is a CFA Charter holder. He has over 20 years of experience in project evaluation and strategic planning, investment analysis and engineering work, as well as project management and investment. Mr. Li joined the Sinolink Group in May 1994. He was appointed as Chief Financial Officer of Sinolink Worldwide Holdings Limited in October 2007.

The directors of the Company (the "Directors") present the annual report and the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 41 and 18 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 45 of the annual report.

No interim dividend (2010: Nil) was paid to the shareholders during the year.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 49.

The Company's reserves available for distribution to shareholders at 31 December 2011, amounted to HK$928,496,000 (2010: HK$916,604,000).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for each of the last five financial years is set out on page 120.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements during the year in the investment properties of the Group are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 30 to the consolidated financial statements.

DIRECTORS

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

Executive Directors:

Ou Yaping *(Chairman)*
Tang Yui Man Francis *(Chief Executive Officer)*
Chen Wei
Xiang Ya Bo (appointed on 28th March 2011)

Non-executive Directors:

Law Sze Lai
Li Ningjun

Independent non-executive Directors:

Tian Jin
Xiang Bing
Xin Luo Lin

In accordance with Bye-laws 87(1) of the Bye-laws, Mr. Ou Yaping, Mr. Law Sze Lai and Dr. Xiang Bing shall retire by rotation at the forthcoming annual general meeting ("AGM") and, being eligible, would offer themselves for re-election.

The Company has received annual confirmation from each of the Independent Non-executive Directors as regards their independence to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company considers that each of the Independent Non-executive Directors is independent to the Company.

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND SHARE OPTIONS

At 31 December 2011, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Share"), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

Long positions in Shares and underlying Shares

		Interest in Shares						
Name of Directors	Capacity	Personal interest	Corporate interest	Family interest	Total interest in Shares	Interest in underlying Shares pursuant to share options	Aggregate interest	Approximate percentage of issued share capital of the Company at 31.12.2011
Chen Wei	Beneficial owner	13,500,000	–	–	13,500,000	11,250,000	24,750,000	0.70%
Law Sze Lai	Beneficial owner	9,345,500	–	–	9,345,500	9,675,000	19,020,500	0.54%
Li Ningjun	Beneficial owner	2,000,000	–	–	2,000,000	8,375,000	10,375,000	0.29%
Ou Yaping	Joint interest and interest of controlled corporation	–	1,560,845,250 (Note)	7,285,410	1,568,130,660	–	1,568,130,660	44.28%
Tang Yui Man Francis	Beneficial owner	21,375,000	–	–	21,375,000	22,500,000	43,875,000	1.24%
Tian Jin	Beneficial owner	–	–	–	–	5,175,000	5,175,000	0.15%
Xiang Ya Bo	Beneficial owner	–	–	–	–	11,250,000	11,250,000	0.32%
Xin Luo Lin	Beneficial owner	–	–	–	–	2,925,000	2,925,000	0.08%

Note: These 1,560,845,250 Shares are held by Asia Pacific Promotion Limited ("Asia Pacific"), a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Ou Yaping, Chairman of the Company. Mr. Ou is deemed to have interest in these Shares of which Asia Pacific interested under the SFO.

Details of the Directors' interests in share options granted by the Company are set out below under the heading "Directors' rights to acquire Shares or debentures of the Company and associated corporation".

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

Interest in options to subscribe for Shares

Pursuant to the Company's share option scheme, the Company has granted to certain Directors of the Company options to subscribe for the Shares, details of which as at 31 December 2011 were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price HK$	Number of Shares subject to outstanding options at 1.1.2011	Granted during the year	Exercised during the year	Number of Shares subject to outstanding options at 31.12.2011	Approximate percentage of issued share capital of the Company at 31.12.2011
Chen Wei	12.02.2007	01.01.2009 – 23.05.2012	1.778	3,375,000	–	–	3,375,000	0.10%
	12.02.2007	01.07.2009 – 23.05.2012	1.778	3,375,000	–	–	3,375,000	0.10%
	12.02.2007	01.01.2010 – 23.05.2012	1.778	2,250,000	–	–	2,250,000	0.06%
	12.02.2007	01.07.2010 – 23.05.2012	1.778	2,250,000	–	–	2,250,000	0.06%
Law Sze Lai	13.01.2005	30.06.2006 – 24.05.2012	1.001	2,700,000	–	–	2,700,000	0.08%
	13.01.2005	31.12.2006 – 24.05.2012	1.001	3,600,000	–	–	3,600,000	0.10%
	12.02.2007	01.01.2009 – 23.05.2012	1.778	1,012,500	–	–	1,012,500	0.03%
	12.02.2007	01.07.2009 – 23.05.2012	1.778	1,012,500	–	–	1,012,500	0.03%
	12.02.2007	01.01.2010 – 23.05.2012	1.778	675,000	–	–	675,000	0.02%
	12.02.2007	01.07.2010 – 23.05.2012	1.778	675,000	–	–	675,000	0.02%
Li Ningjun	13.01.2005	31.12.2006 – 24.05.2012	1.001	500,000	–	–	500,000	0.01%
	06.02.2007	01.01.2009 – 23.05.2012	1.778	2,362,500	–	–	2,362,500	0.07%
	06.02.2007	01.07.2009 – 23.05.2012	1.778	2,362,500	–	–	2,362,500	0.07%
	06.02.2007	01.01.2010 – 23.05.2012	1.778	1,575,000	–	–	1,575,000	0.04%
	06.02.2007	01.07.2010 – 23.05.2012	1.778	1,575,000	–	–	1,575,000	0.04%

Name of Directors	Date of grant	Exercise period	Exercise price HK$	Number of Shares subject to outstanding options at 1.1.2011	Granted during the year	Exercised during the year	Number of Shares subject to outstanding options at 31.12.2011	Approximate percentage of issued share capital of the Company at 31.12.2011
Tang Yui Man Francis	12.02.2007	01.01.2009 – 23.05.2012	1.778	6,750,000	–	–	6,750,000	0.19%
	12.02.2007	01.07.2009 – 23.05.2012	1.778	6,750,000	–	–	6,750,000	0.19%
	12.02.2007	01.01.2010 – 23.05.2012	1.778	4,500,000	–	–	4,500,000	0.13%
	12.02.2007	01.07.2010 – 23.05.2012	1.778	4,500,000	–	–	4,500,000	0.13%
Tian Jin	22.01.2006	31.12.2006 – 24.05.2012	2.107	675,000	–	–	675,000	0.02%
	22.01.2006	30.06.2007 – 24.05.2012	2.107	675,000	–	–	675,000	0.02%
	22.01.2006	31.12.2007 – 24.05.2012	2.107	900,000	–	–	900,000	0.03%
	12.02.2007	01.01.2009 – 23.05.2012	1.778	877,500	–	–	877,500	0.02%
	12.02.2007	01.07.2009 – 23.05.2012	1.778	877,500	–	–	877,500	0.02%
	12.02.2007	01.01.2010 – 23.05.2012	1.778	585,000	–	–	585,000	0.02%
	12.02.2007	01.07.2010 – 23.05.2012	1.778	585,000	–	–	585,000	0.02%
Xiang Ya Bo	06.02.2007	01.01.2009 – 23.05.2012	1.778	–	–	–	3,375,000	0.10%
	06.02.2007	01.07.2009 – 23.05.2012	1.778	–	–	–	3,375,000	0.10%
	06.02.2007	01.01.2010 – 23.05.2012	1.778	–	–	–	2,250,000	0.06%
	06.02.2007	01.07.2010 – 23.05.2012	1.778	–	–	–	2,250,000	0.06%
Xin Luo Lin	12.02.2007	01.01.2009 – 23.05.2012	1.778	877,500	–	–	877,500	0.02%
	12.02.2007	01.07.2009 – 23.05.2012	1.778	877,500	–	–	877,500	0.02%
	12.02.2007	01.01.2010 – 23.05.2012	1.778	585,000	–	–	585,000	0.02%
	12.02.2007	01.07.2010 – 23.05.2012	1.778	585,000	–	–	585,000	0.02%

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. These options represent personal interest held by the Directors as beneficial owners.

3. During the year, no options were granted to or exercised by the Directors and no options held by the Directors were lapsed or cancelled.

4. Mr. Xiang Ya Bo was appointed as an executive director of the Company on 28 March 2011.

Other than the share option as disclosed under the heading of "Share Option Scheme of the Company" below, at no time during the period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SHARE OPTION SCHEME OF THE COMPANY

Pursuant to a share option scheme approved by shareholders of the Company at a special general meeting held on 24 May 2002 (the "Existing Scheme"), share options may be granted to Directors and employees of the Company or its subsidiaries for recognition of their contributions to the Group. The exercise price of the share options will be determined at the highest of (i) the average of closing prices on the Stock Exchange on the five trading days immediately preceding on the date of grant; (ii) the closing price of the Shares on the Stock Exchange on the date of grant; or (iii) the nominal value of the Shares. The share options granted must be taken up within 28 days of the date of grant.

At 31 December 2011, a total of 109,987,500 Shares (representing approximately 3.11% of the existing issued share capital of the Company as at the date of this annual report) may be issued upon exercise of all options which had been granted and yet to be exercised under the Existing Scheme and a total of 354,111,283 Shares as refreshed on 1 June 2010 (representing approximately 10% of the existing issued share capital of the Company as at the date of this annual reports) may be issued upon exercise of all options which may be granted under the Existing Scheme.

The share options are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years from the date of grant. The minimum period for which a share option must be held before it can be exercised would be determined by the Board of Directors.

The total number of Shares in respect of which options may be granted under the Existing Scheme are not permitted to exceed 10% of the Shares in issue at the date of approval of the Existing Scheme ("Scheme Mandate Limit"), without prior approval from the Company's shareholders. The Company may seek approval of its shareholders in general meeting to renew the Scheme Mandate Limit provided that the total number of shares in respect of which options may be granted under the Existing Scheme and any other share option schemes of the Company must not exceeded 10% of the shares in issue as at the date of the approval to renew the Scheme Mandate Limit. The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Company's shareholders. In addition, the number of shares in respect of which options may be granted to any participant (who is a substantial shareholder or an independent non-executive director of the Company, or any of their associates (within the meaning as ascribed under the Listing Rules)) in any 12-month period is not permitted to exceed 0.1% of the total number of shares in issue and HK$5,000,000 in an aggregate value, based on the closing price of the shares at the date of each grant, without prior approval from the Company's shareholders.

Consideration of HK$1 is payable by participants on the grant of an option.

The Existing Scheme has a life of 10 years from 24 May 2002.

Additional information in relation to the Company's share option schemes are set out in note 35 to the consolidated financial statements.

Details of specific categories of share options are as follows:

Option types	Date of grant	Exercise period	Exercise price HK$
2005 Options	13.01.2005	31.12.2005 – 24.05.2012	1.001
	13.01.2005	30.06.2006 – 24.05.2012	1.001
	13.01.2005	31.12.2006 – 24.05.2012	1.001
2006 Options	22.01.2006	31.12.2006 – 24.05.2012	2.107
	22.01.2006	30.06.2007 – 24.05.2012	2.107
	22.01.2006	31.12.2007 – 24.05.2012	2.107
2007A Options	06.02.2007	01.01.2009 – 23.05.2012	1.778
	06.02.2007	01.07.2009 – 23.05.2012	1.778
	06.02.2007	01.01.2010 – 23.05.2012	1.778
	06.02.2007	01.07.2010 – 23.05.2012	1.778
2007B Options	12.02.2007	01.01.2009 – 23.05.2012	1.778
	12.02.2007	01.07.2009 – 23.05.2012	1.778
	12.02.2007	01.01.2010 – 23.05.2012	1.778
	12.02.2007	01.07.2010 – 23.05.2012	1.778

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

	Option types	Outstanding at 1.1.2011	Transferred from category 2 to category 1 during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2011
Category 1: Directors							
Chen Wei	2007B Options	11,250,000	–	–	–	–	11,250,000
Law Sze Lai	2005 Options	6,300,000	–	–	–	–	6,300,000
	2007B Options	3,375,000	–	–	–	–	3,375,000
Li Ningjun	2005 Options	500,000	–	–	–	–	500,000
	2007A Options	7,875,000	–	–	–	–	7,875,000
Tang Yui Man Francis	2007B Options	22,500,000	–	–	–	–	22,500,000
Tian Jin	2006 Options	2,250,000	–	–	–	–	2,250,000
	2007B Options	2,925,000	–	–	–	–	2,925,000
Xiang Ya Bo	2007A Options	–	11,250,000	–	–	–	11,250,000
Xin Luo Lin	2007B Options	2,925,000	–	–	–	–	2,925,000
Total for Directors		59,900,000	11,250,000	–	–	–	71,150,000
Category 2: Employees							
	2005 Options	7,000,000	–	–	–	–	7,000,000
	2007A Options	44,212,500	(11,250,000)	–	–	(1,125,000)	31,837,500
Total for employees		51,212,500	(11,250,000)	–	–	(1,125,000)	38,837,500
Total for all categories		111,112,500	–	–	–	(1,125,000)	109,987,500

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. During the year, no options were granted, exercised or cancelled under the Existing Scheme.

3. During the year, 1,125,000 options were lapsed under the Existing Scheme.

4. Mr. Xiang Ya Bo was appointed as an executive director of the Company on 28 March 2011.

Under the terms of the Existing Scheme, the Company by resolution in general meeting or the Board may at any time terminate the operation of the Existing Scheme and in such event no further options will be offered thereunder but in all other respects the provisions of the Existing Scheme shall remain in full force and effect. As the Existing Scheme will soon expire, it is proposed by the Directors that at the forthcoming annual general meeting of the Company, an ordinary resolution will be proposed to terminate the operation of the Existing Scheme and to approve and adopt the new share option scheme in accordance with the Listing Rules (the "New Share Option Scheme"). A summary of the terms of the New Share Option Scheme is set out in the circular of the Company dated 17 April 2012.

DIRECTORS' SERVICE CONTRACT

There is no unexpired directors' service contract which is not terminable by the Company within one year of any Director proposed for re-election at the forthcoming AGM.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed, no contracts of significance to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following shareholder(s) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions and short positions in Shares and underlying Shares

Name of shareholder	Capacity	Interest in Shares	Approximate percentage of the Company's issued share capital at 31.12.2011
Asia Pacific	Beneficial owner	1,560,845,250 (Long) (Note)	44.08%

Note: The 1,560,845,250 Shares are held by Asia Pacific, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Ou Yaping, Chairman of the Company. According, Mr. Ou is deemed to be interested in the Shares held by Asia Pacific under the SFO.

Save as disclosed above, as at 31 December 2011, the Company has not been notified of any other interests or short positions in the Shares and underlying Shares of the Company which had been recorded in the register required to be kept under Section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the connected transactions/continuing connected transactions of the Company during the year were as follows:

(a) Connected transactions

During the year, there were no transactions which need to be disclosed as connected transaction pursuant to Chapter 14A of the Listing Rules of the Stock Exchange.

(b) Continuing connected transactions

On 19 May 2008, Enerchina Holdings Limited ("Enerchina") and the Company entered into a Master Agreement A for the purpose of regulating the Individual Lease Agreements for leasing of the properties by Enerchina and its subsidiaries from Sinolink and its subsidiaries, for a fixed term of three years from 1 April 2008 to 31 March 2011 (the "Master Agreement A"). The annual cap amount for each of the financial years ended 31 December 2008, 2009, 2010 and 2011 are HK$3,750,000, HK$5,000,000, HK$5,000,000 and HK$1,250,000 respectively. As the aforementioned Master Agreement expired on 31 March 2011, the Company entered into a new agreement with Enerchina in respect of the aforementioned continuing connected transactions as from 1 April 2011 to 31 March 2014 (the "Master Agreement B"). The annual cap amount for each of the financial year ended/ending 31 December 2011, 2012, 2013 and 2014 are HK$6,000,000, HK$8,000,000, HK$8,000,000 and HK$2,000,000 respectively. The total amount of the transactions as at 31 December 2011 was HK$3,019,000.

Enerchina and the Company are owned as to approximately 36.40% and 44.08% respectively by Asia Pacific Promotion Limited ("Asia Pacific"). Therefore, Asia Pacific is a substantial shareholder of Enerchina and the Company and thus a connected person of both Enerchina and the Company under the Listing Rules. As Asia Pacific owns more than 30% in both Enerchina and Sinolink, Enerchina and Sinolink are the associates of Asia Pacific under the Listing Rules.

Accordingly, the Master Agreement B between Enerchina and the Company constitutes continuing connected transaction (the "Continuing Connected Transactions") for both Enerchina and the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios for the Master Agreement B calculated on an annual basis are more than 0.1% and less than 5% for both Enerchina and the Company, in accordance with Rule 14A.34 of the Listing Rules, the Master Agreement is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and is exempted from the independent shareholders' approval requirements. The Company had accordingly published an announcement in respect of the Continuing Connected Transactions dated 31 March 2011.

Pursuant to Rule 14A.38 of the Listing Rules, the Board engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the Board. The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions pursuant to Rule 14A.37 of the Listing Rules. The Company's auditor was engaged to report on the Group's above Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 34 to the consolidated financial statements. Those related party transactions did not constitute connected transactions under the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31 December 2011, the aggregate amount of financial assistance to associated companies by the Group in aggregate exceeded 8% of the assets ratios as defined in Rule 14.07(1) of the Listing Rules.

In accordance with the requirements under Rule 13.22 of the Listing Rules, a proforma combined statement of financial position of the associated companies as at 31 December 2011 is presented as follows:

	HK$'000
Non-current assets	4,276,612
Current assets	706,030
Current liabilities	(411,877)
Non-current liabilities	(4,201,764)
Net assets	369,001

The Group's attributable interest in the associated companies as at 31 December 2011 comprised net assets of HK$159,069,000.

The proforma combined statement of financial position of the associated companies has been prepared by combining their statement of financial position, after making adjustments to conform with the Group's significant accounting policies as 31 December 2011.

DONATIONS

During the year the Group made charitable and other donations amounting to HK$7,052,000.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Director's as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued share as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest supplier accounted for approximately 54% of the Group's total purchases and the Group's largest five suppliers accounted for approximately 73% of the Group's total purchases.

During the year, the Group's largest customer accounted for approximately 5% of the Group's total sales and the Group's largest five customers accounted for 26% of the Group's total sales.

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the year ended 31 December 2011.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. No Director, or any of his associates, and executive is involved in dealing his own remuneration.

The Company has adopted share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 35 to the consolidated financial statements and under the heading "Share Option Scheme of the Company".

AUDITOR

The consolidated financial statements of the Company for the year ended 31 December 2011 have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Ou Yaping
Chairman

Hong Kong, 27 March 2012

CODE ON CORPORATE GOVERNANCE PRACTICES

Having established a good, credible and dynamic foundation for corporate governance practices in the Company since 2005, the Company continues to ensure the transparency and protection of shareholders' interest, as well as the stakeholders' interests.

The Company has adopted all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Listing Rules as its own code on corporate governance practices since 2005.

The Company understood the importance on sound corporate governance practices and recognized the changing regulatory environment. Therefore, the theme of the corporate governance practices in the Company has gone through an evolving process, from implementing the existing Code, evaluating the effectiveness of the Code, and responding to the rapid changes and continuous development in our corporate governance practices, if necessary.

STATEMENT OF COMPLIANCE

The Company has complied with the code provisions as set out in the Code during the year ended 31 December 2011.

BOARD OF DIRECTORS

Composition

As the date of this report, the board of directors of the Company (the "Board") comprises 9 members (each member of the Board, a "Director"). Mr. Ou Yaping acts as Chairman of the Board, whereas Mr. Tang Yui Man Francis acts as Chief Executive Officer of the Company. Other Executive Directors are Mr. Chen Wei and Mr. Xiang Ya Bo and Non-executive Directors are Mr. Law Sze Lai and Mr. Li Ningjun. The Company has 3 Independent Non-executive Directors, Mr. Tian Jin, Dr. Xiang Bing and Mr. Xin Luo Lin, and all Independent Non-executive Directors possess appropriate professional accounting experience and expertise.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 16 to 19 of this Annual Report.

Each of the Independent Non-executive Director has confirmed, in accordance with Rule 3.13 of the Listing Rules, that he is independent of the Company and the Company also considers that they are independent.

Except for the family relationship between Mr. Ou Yaping and Mr. Xiang Ya Bo as disclosed in biographical details on pages 16 to 17 of this Annual Report, there is no relationship (including financial, business, family or other material relationship) between any members of the Board and in particular, between the Chairman and the Chief Executive Officer.

Pursuant to the Bye-laws of the Company (the "Bye-laws"), the Directors shall hold office subject to retirement by rotation at the annual general meeting of the Company at least once every three years. In addition, any Director appointed by the Board during a year, whether to fill a casual vacancy or as additional member to the Board, shall hold office only until the next following general meeting (in the case of an addition to the Board) of the Company and shall then be eligible for re-election in that meeting. The term of office of each Non-executive Director (including Independent Non-executive Director) is for a period of 1 year from 1 January 2012 to 31 December 2012 subject to retirement by rotation and re-election in accordance with the Bye-laws, except for Mr. Li Ningjun, whose term of office is for a period of 3 years from 13 September 2010 to 12 September 2013 and is subject to retirement by rotation and re-election in accordance with the Bye-laws.

Functions

The Board, headed by the Chairman, is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management in accordance with the regulations governing the meetings of the Board, the Chief Executive Officer's working guides, the Bye-laws and the rules governing the meetings of shareholders of the Company.

The executive Directors are responsible for day-to-day management of the Company's operations. The executive Directors conduct regular meetings with the senior management of the Company and its subsidiaries (collectively the "Group", at which operational issues and financial performance are evaluated.

The Company considers that internal control system and risk management function are essential and that the Board plays an important role in implementing and monitoring internal financial control and risk management.

Matters specifically decided by the Board and those reserved for the management are reviewed by the Board on a periodic basis.

There are established procedures to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses.

The Bye-laws states the responsibilities and operational procedures of the Board. The Board meets at least 4 times a year at regular intervals to consider operational reports of the Company and policies. Significant operational policies have to be discussed and passed by the Board.

During the year 2011, the Board held 4 regular Board meetings (within the meanings of the Code) at approximately quarterly intervals and 19 board meetings convened as necessary. Due notice and Board papers were given to all Directors prior to each meeting in accordance with the Code and the Bye-laws. Details of individual attendance of Directors are set out below:

	No. of meetings attended	
	Regular Board Meeting	**Other Board Meeting**
Executive Directors		
Ou Yaping *(Chairman)*	4	9
Tang Yui Man Francis *(Chief Executive Officer)*	4	9
Chen Wei	3	3
Xiang Ya Bo (appointed on 28 March 2011)	4	1
Non-executive Directors		
Law Sze Lai	4	0
Li Ningjun	4	0
Independent Non-executive Directors		
Tian Jin	4	0
Xiang Bing	2	1
Xin Luo Lin	4	1

Chairman and Chief Executive Officer

The role of the Chairman, Mr. Ou Yaping, remains separate from that of the Chief Executive Officer, Mr. Tang Yui Man Francis. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each.

The Chairman provides leadership for the Board and oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account matters proposed by other Directors. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development.

The Chief Executive Officer, assisted by other Executive Directors, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and for maintaining an effective executive support team. The Chief Executive Officer is accountable to the Board for keeping the Chairman and all Directors fully informed of all major business developments and issues.

Responsibilities

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include:

- attending regular Board meetings and focusing on business strategy, operational issues and financial performance;
- active participation on the respective board of directors of the subsidiaries and associated companies of the Company;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of senior management, Board and shareholders of the Company;
- consideration of misuse of corporate assets and abuse of related party transactions; and
- ensuing processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to fulfill their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

Board Committees

A number of committees of the Board, including the Audit Committee and Remuneration Committee, have been set up by the Company, with specific terms of reference relating to authority and duties, to strengthen the Board’s functions and enhance its expertise.

Remuneration Committee

As at the date of this Annual Report, the Remuneration Committee comprises one Executive Director, being Mr. Ou Yaping, and two Independent Non-executive Directors, being Dr. Xiang Bing and Mr. Xin Luo Lin and is chaired by Mr. Xin Luo Lin.

The terms of reference of the Remuneration Committee has complied with the Code which is posted on the website of the Company at www.sinolinkhk.com.

The Remuneration Committee's responsibilities include the reviewing and considering the Company's remuneration policy for Directors and senior management, the determining of remuneration packages for Executive Directors and senior management including benefits in kind, pension rights and compensation payments, and making recommendations relating to remuneration of Non-executive Directors.

During the year 2011, the Remuneration Committee:

- reviewed the remuneration policy for 2011/2012;
- reviewed the remuneration of the Executive Directors and the Independent Non-executive Directors and management year-end bonus; and
- reviewed and approved the service agreements of an Executive Director and a Non-executive Director.

The Remuneration Committee held 3 meetings during 2011 with individual attendance as follows:

Members of Remuneration Committee

	No. of meetings attended
Xin Luo Lin *(Chairman of the Remuneration Committee)*	3
Ou Yaping	3
Xiang Bing	3

The Group recognises the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group (including Directors) in accordance with the terms of the approved share option scheme adopted by the Group.

Audit Committee

As at the date of this Annual Report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Tian Jin, Dr. Xiang Bing and Mr. Xin Luo Lin and is chaired by Mr. Xin Luo Lin.

The Audit Committee reports directly to the Board and reviews financial statements and internal controls in order to protect the interests of the Company's shareholders.

The Audit Committee meets regularly with the Company's external auditor to discuss accounting issues, and reviews effectiveness of internal controls and risk evaluation. Written terms of reference, which describe the authority and duties of the Audit Committee are regularly reviewed and updated by the Board. The terms of reference of the Audit Committee has complied with the Code which is posted on the website of the Company at www.sinolinkhk.com.

During the year 2011, the Audit Committee:

- reviewed the financial statements for the year ended 31 December 2010 and for the six months ended 30 June 2011;
- reviewed the effectiveness of the internal control system and risk management;
- reviewed the external auditor's findings; and
- reviewed and approved remuneration of auditor for financial year of 2010 and re-appointment of external auditor.

The Audit Committee held 3 meetings during the year 2011 with individual attendance as follows:

Members of Audit Committee

	No. of meetings attended
Xin Luo Lin *(Chairman of the Audit Committee)*	3
Tian Jin	3
Xiang Bing	2

Nomination of Directors

The Board has not established a nomination committee during the year 2011. According to the Bye-laws, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. In assessing the nomination of new Directors, the Board will take into account the nominee's qualifications, ability and potential contribution to the Company. Therefore, nomination will be made by members of the Board based on the need of the Company and the expertise and the experience of individual candidate. On 28 March 2011, Mr. Xiang Ya Bo was appointed as an executive Director of the Company at a directors' meeting with the presence of Mr. Ou Yaping, Mr. Tang Yui Man Francis, Mr. Chen Wei, Mr. Xin Luo Lin, Mr. Tian Jin, Mr. Law Sze Lai, Mr. Li Ningjun and Dr. Xiang Bing.

On 27 March 2012, a Nomination Committee was established in accordance with the amended Appendix 14 of the Listing Rules and comprises one executive Director, being Mr. Tang Yui Man Francis and three independent non-executive Directors, being Mr. Tian Jin, Dr. Xiang Bing and Mr. Xin Luo Lin and is chaired by Mr. Tian Jin.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company also has written guidelines regarding securities transactions on terms no less exacting than the required standard set out in the Model Code for senior management and any individuals who may have access to price-sensitive information in relation to the securities of the Company.

EXTERNAL AUDITOR

The external auditor of the Company is Messrs. Deloitte Touche Tohmatsu ("Deloitte"). Deloitte provided professional services in respect of the audit of Company's consolidated financial statements prepared under Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2011. Deloitte also reviewed the 2011 unaudited interim financial report of the Company prepared under HKFRSs.

Fees charged by Deloitte in respect of audit services for the year 2011 amounted to HK$1,780,000. Non-audit services fees charged by Deloitte are as follows:

	Fee
	HK$
Description of services performed	
Review of the interim financial report of the Company for the six months ended 30 June 2011	400,000
Other services	65,000
	465,000

INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Board has overall responsibility for the system of internal control and for reviewing its effectiveness. During the year, the Audit Committee and the Board have conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management system and consideration of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget. Based on the results of the review, the system was satisfactory with no major irregularities reported and the Group would take steps to further enhance the effectiveness of the internal control system.

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue its operational existence for a foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

SHAREHOLDERS COMMUNICATION

Shareholders are provided with detailed information about the Company set out in the interim/annual report and/or the circular so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the annual general meeting, the annual report, interim report, various notices, announcements and circulars, to ensure its shareholders are kept well informed of key business imperatives. Procedures for conducting a poll are explained by the chairman of the meeting at the general meetings of the Company.

At the 2011 Annual General Meeting, a resolution was proposed by the Chairman in respect of each separate issue itemized on the agenda, including re-election of retiring Directors. The Chairman of the Board and certain members of all committees or their respective duly appointed delegates participated the 2011 Annual General Meeting and answered questions from shareholders.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements which give a true and fair view of the state of affairs of the Group and of the profit and cash flows of the Group for the year. The statement of the Auditor regarding their reporting responsibility for the financial statements is set out in the Independent Auditor's Report on pages 43 to 44.

Deloitte.
德勤

TO THE MEMBERS OF SINOLINK WORLDWIDE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sinolink Worldwide Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 116, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Turnover	5	**349,166**	1,280,936
Cost of sales		**(154,549)**	(493,635)
Gross profit		**194,617**	787,301
Other income	6	**207,533**	62,017
Selling expenses		**(6,375)**	(19,722)
Administrative expenses		**(92,956)**	(143,394)
Other expenses	7	**(7,165)**	(145,840)
Increase in fair value of investment properties	17	**314,651**	150,291
Gain on derivative components of convertible bonds		**50,444**	202,856
(Loss) gain from change in fair value on investments held for trading		**(59,302)**	25,323
Share of results of associates		**26,022**	13,301
Finance costs	8	**(15,682)**	(30,916)
Profit before taxation	9	**611,787**	901,217
Taxation	12	**(159,733)**	(262,283)
Profit for the year		**452,054**	638,934
Attributable to:			
Owners of the Company		**375,172**	560,317
Non-controlling interests		**76,882**	78,617
		452,054	638,934
		HK cents	HK cents
Earnings per share	14		
Basic		**10.59**	15.81
Diluted		**9.04**	9.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	HK$'000	HK$'000
Profit for the year	**452,054**	638,934
Other comprehensive income		
Exchange differences arising on translation	**219,025**	152,777
Share of translation reserve of associates	**22,118**	5,697
Other comprehensive income for the year	**241,143**	158,474
Total comprehensive income for the year	**693,197**	797,408
Total comprehensive income attributable to:		
Owners of the Company	**573,637**	690,094
Non-controlling interests	**119,560**	107,314
	693,197	797,408

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	15	**239,717**	151,403
Prepaid lease payments	16	**119,635**	116,051
Investment properties	17	**2,000,423**	1,518,895
Interests in associates	18	**159,069**	110,929
Available-for-sale investments	19	**13,761**	1,261
Loan receivable	20	**2,142,895**	2,021,078
		4,675,500	3,919,617
Current assets			
Stock of properties	21	**684,292**	786,179
Trade and other receivables, deposits and prepayments	22	**144,030**	205,309
Prepaid lease payments	16	**2,140**	2,039
Amounts due from associates	23	**75,590**	57,140
Investments held for trading	24	**175,159**	547,563
Pledged bank deposits	25	**606**	1,633
Bank balances and cash	25	**4,312,385**	4,915,904
		5,394,202	6,515,767
Current liabilities			
Trade payables, deposits received and accrued charges	26	**495,426**	580,744
Taxation payable		**778,633**	1,424,188
Borrowings – amount due within one year	27	**161,652**	158,754
Convertible bonds	28	**25,456**	377,641
		1,461,167	2,541,327
Net current assets		**3,933,035**	3,974,440
Total assets less current liabilities		**8,608,535**	7,894,057

At 31 December 2011

	NOTES	**2011 HK$'000**	2010 HK$'000
Non-current liabilities			
Borrowings – amount due after one year	27	**221,948**	270,271
Deferred taxation	29	**217,389**	147,785
		439,337	418,056
		8,169,198	7,476,001
Capital and reserves			
Share capital	30	**354,111**	354,111
Reserves		**6,845,622**	6,271,985
Equity attributable to owners of the Company		**7,199,733**	6,626,096
Non-controlling interests		**969,465**	849,905
		8,169,198	7,476,001

The consolidated financial statements on pages 45 to 116 were approved and authorised for issue by the Board of Directors on 27 March 2012 and are signed on its behalf by:

Ou Yaping
CHAIRMAN

Tang Yui Man Francis
CHIEF EXECUTIVE OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	General reserves HK$'000 (note 31)	Contributed surplus HK$'000 (note 31)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	356,311	1,851,735	447,688	61,993	88,432	367,782	2,895,340	6,069,281	765,553	6,834,834
Profit for the year	–	–	–	–	–	–	560,317	560,317	78,617	638,934
Other comprehensive income for the year	–	–	129,777	–	–	–	–	129,777	28,697	158,474
Total comprehensive income for the year	–	–	129,777	–	–	–	560,317	690,094	107,314	797,408
Repurchases of shares	(2,200)	(26,756)	–	–	–	–	–	(28,956)	–	(28,956)
Recognition of equity-settled share-based payments	–	–	–	1,910	–	–	–	1,910	–	1,910
Lapse of share options	–	–	–	(9,642)	–	–	9,642	–	–	–
Transfers	–	–	–	–	60,414	–	(60,414)	–	–	–
Dividends	–	–	–	–	–	–	(106,233)	(106,233)	–	(106,233)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(22,962)	(22,962)
At 31 December 2010	354,111	1,824,979	577,465	54,261	148,846	367,782	3,298,652	6,626,096	849,905	7,476,001
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**375,172**	**375,172**	**76,882**	**452,054**
Other comprehensive income for the year	**–**	**–**	**198,465**	**–**	**–**	**–**	**–**	**198,465**	**42,678**	**241,143**
Total comprehensive income for the year	**–**	**–**	**198,465**	**–**	**–**	**–**	**375,172**	**573,637**	**119,560**	**693,197**
Lapse of share options	**–**	**–**	**–**	**(506)**	**–**	**–**	**506**	**–**	**–**	**–**
At 31 December 2011	**354,111**	**1,824,979**	**775,930**	**53,755**	**148,846**	**367,782**	**3,674,330**	**7,199,733**	**969,465**	**8,169,198**

For the year ended 31 December 2011

	2011 **HK$'000**	2010 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**611,787**	901,217
Adjustments for:		
Share of results of associates	**(26,022)**	(13,301)
Depreciation of property, plant and equipment	**7,558**	7,022
Release of prepaid lease payments	**2,096**	95
Share-based payment expenses	**–**	1,910
Interest income	**(202,192)**	(56,663)
Interest expenses	**15,682**	30,916
Increase in fair value of investment properties	**(314,651)**	(150,291)
Gain on derivative components of convertible bonds	**(50,444)**	(202,856)
Loss (gain) from change in fair value on investments held for trading	**59,302**	(25,323)
Impairment loss recognised in respect of loan receivable	**–**	138,120
(Gain) loss on disposal of property, plant and equipment	**(4)**	5
Operating cash flows before movements in working capital	**103,112**	630,851
(Increase) decrease in stock of properties	**(69,547)**	375,096
Decrease (increase) in trade and other receivables, deposits and prepayments	**69,253**	(97,169)
Decrease (increase) in investments held for trading	**313,102**	(194,839)
Decrease in trade payables, deposits received and accrued charges	**(40,144)**	(493,372)
Cash generated from operations	**375,776**	220,567
Taxation paid	**(800,857)**	(124,590)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(425,081)**	95,977

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES		
Proceeds from disposal of investment properties	**106,971**	13,896
Interest received	**80,375**	56,663
Withdrawal of pledged bank deposits	**1,085**	16,460
Proceeds from disposal of property, plant and equipment	**34**	32
Purchase of property, plant and equipment	**(76,070)**	(66,550)
Development costs paid for investment properties under construction	**(46,816)**	(42,157)
Advances to associates	**(18,450)**	(26,941)
Purchase of available-for-sale investments	**(12,500)**	–
Purchase of convertible note receivable	**–**	(200,000)
Advance to an investee company	**–**	(1,820)
Redemption of convertible note receivable	**–**	200,000
Repayments from associates	**–**	8,204
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**34,629**	(42,213)
FINANCING ACTIVITIES		
Redemption of convertible bonds	**(315,000)**	(150,000)
Repayment of bank loans	**(60,387)**	(444,432)
Interest paid	**(23,368)**	(25,827)
Dividends paid	**–**	(106,233)
New bank loans raised	**–**	100,000
Repurchase of shares	**–**	(28,956)
Dividends paid to non-controlling shareholders of subsidiaries	**–**	(22,962)
NET CASH USED IN FINANCING ACTIVITIES	**(398,755)**	(678,410)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(789,207)**	(624,646)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**4,915,904**	5,377,691
Effect of foreign exchange rate changes	**185,688**	162,859
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**4,312,385**	4,915,904

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporation information section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HKD") while the functional currency of the Company is Renminbi ("RMB"). The reason for selecting HKD as its presentation currency is that the Company is a public company with its shares listed on the Stock Exchange, and most of its investors are located in Hong Kong.

The principal activities of the Group are property development, property management and property investment.

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

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

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

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

For the year ended 31 December 2011

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

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

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

HKFRS 9 Financial Instruments

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

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

HKFRS 9 Financial Instruments *(Continued)*

Key requirements of HKFRS 9 are described as follows:

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

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

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

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

New and revised standards on consolidation associates and disclosures

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

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

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

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

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

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

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

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

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets *(Continued)*

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties located in the People's Republic of China (the "PRC") that are measured using the fair value model. If the presumption under the amendments is not rebutted, the deferred tax liability relating to the revaluation of investment properties may increase as the land appreciation tax rate of the PRC is higher than the tax rate currently used by the Group to calculate the deferred tax recognised for investment properties.

The Group has not early adopted these new and revised standards, amendments and interpretations in the preparation of the consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

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

Investments in associates

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

Sales of properties

Revenue from the sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers.

Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Rental income

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

Service income

Service income including property management services and other services is recognised when services are provided.

Interest income

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

Dividend income

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

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

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

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and building

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

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

Stock of properties

Stock of properties includes properties under development for sale and properties held for sale.

The carrying value of properties under development comprises the land cost together with development expenditure, which includes construction costs, capitalised interest and ancillary borrowing costs. The stock of properties are stated at the lower of cost and net realisable value.

The Group transfers properties from inventories to investment properties when there is a change of intention to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the commencement of an operating lease to another party.

The Group transfers the leasehold land component included in stock of properties to prepaid lease payment when there is a change of intention from holding the leasehold land for development of properties held for sales to future owner-occupied or other purposes.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible assets

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

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

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

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are mainly those classified as financial assets held for trading.

A financial asset is classified as held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments ***(Continued)***

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan receivable, trade and other receivables, amounts due from associates, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated debt securities (e.g. debentures) as available-for-sale investments.

Impairment of financial assets

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

Objective evidence of impairment could include:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

Financial liabilities and equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Convertible loan notes contains liability component, conversion and early redemption option derivatives

Convertible loan notes issued by the Group that contain both liability and conversion and early redemption option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion and early redemption option components are recognised at fair value.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion and early redemption option derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and conversion and early redemption option components in proportion to their relative fair values. Transaction costs relating to the conversion and early redemption option derivatives are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Equity instruments

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

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

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

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

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefits costs

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make various estimates based on past experience, expectations of the future and other information. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Loan and receivables

Loan and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using effective interest method. Appropriate impairment for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

The Group has a loan receivable (see note 20) which represents shareholder's loan advanced to the Group's associate for financing a property development and property investment project in Shanghai and amounts due from associates (see note 23) represent advances to associates which will be recoverable within 12 months from the end of the reporting period. The recoverability of these amounts is dependent on the cashflow to be generated from the property development and property investment project. Where the actual future cash flows are less than expected, an impairment loss may arise.

In making the estimates, management considered detailed procedures are in place to monitor this risk as a significant proportion of the Group's working capital is devoted to loan receivable and amounts due from associates. In determining whether an impairment for loan receivable and amounts due from associates is required, the management studied the development status of the property development and property investment project and the expected market price and the future rental income of the properties in order to estimate the recoverability of the loan receivable and the amounts due from associates. During the year ended 31 December 2010, an impairment loss of HK$138,120,000 was recognised in respect of loan receivable due to the extension of the anticipated completion period of the relevant properties. As at 31 December 2011, the carrying amount of loan receivable and amounts due from associates are HK$2,142,895,000 (2010: HK$2,021,078,000) and HK$75,590,000 (2010: HK$57,140,000) respectively.

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

Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions and assumptions made on the investment properties. In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation is reflective of the current market conditions and the Group's latest development proposal on the investment properties under construction. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of fair value gain or loss of the Group's investment properties reported in the consolidated income statement. As at 31 December 2011, the carrying amount of investment properties is HK$2,000,423,000 (2010: HK$1,518,895,000).

Fair value of derivatives

As described in note 28, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market price and historical stock price volatilities of the Company adjusted for specific features of the instrument. As at 31 December 2011, the carrying amount of derivative financial instruments is HK$1,254,000 (2010: HK$74,378,000).

Land appreciation tax ("LAT")

PRC LAT is levied on the appreciation of land value, being the proceeds from the sales of properties less deductible expenditure including the amortisation of land use rights, borrowing costs and all property development expenditure.

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

Land appreciation tax ("LAT") ***(Continued)***

The subsidiaries engaging in property development business in the PRC are subject to LAT, which have been included in the tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the tax expense and provisions for LAT in the period in which such determination is made.

5. TURNOVER AND SEGMENT INFORMATION

(A) Turnover

Turnover primarily represents revenue arising on sales of properties, property management income, rental income and other services income, after deducting discounts, business tax and other sales related taxes. An analysis of the Group's revenue for the year is as follows:

	2011	2010
	HK$'000	HK$'000
Sales of properties	**134,257**	1,096,721
Property management income	**103,753**	93,959
Rental income	**77,768**	62,409
Other service income	**33,388**	27,847
	349,166	1,280,936

For the year ended 31 December 2011

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(B) Segment information

For management purposes, the Group is currently organised into the following operating divisions – property development, property management and property investment. These divisions are the basis on which the Group reports to the Chief Executive Officer ("CEO"), the Group's chief operating decision maker, for performance assessment and resource allocation.

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

For the year ended 31 December 2011

	Property development HK$'000	Property management HK$'000	Property investment HK$'000	Total for reportable segment HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER							
External sales	134,257	103,753	77,768	315,778	33,388	–	349,166
Inter-segment sales	–	–	–	–	2,174	(2,174)	–
	134,257	103,753	77,768	315,778	35,562	(2,174)	349,166
RESULT							
Segment result	16,628	1,714	383,317	401,659	26,696	–	428,355
Other income							207,533
Unallocated corporate expenses							(25,583)
Gain on derivative components of convertible bonds							50,444
Loss from change in fair value on investments held for trading							(59,302)
Share of results of associates							26,022
Finance costs							(15,682)
Profit before taxation							611,787

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(B) Segment information *(Continued)*

For the year ended 31 December 2010

	Property development HK$'000	Property management HK$'000	Property investment HK$'000	Total for reportable segment HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER							
External sales	1,096,721	93,959	62,409	1,253,089	27,847	–	1,280,936
Inter-segment sales	–	–	–	–	2,064	(2,064)	–
	1,096,721	93,959	62,409	1,253,089	29,911	(2,064)	1,280,936
RESULT							
Segment result	607,922	3,333	206,797	818,052	15,963	–	834,015
Other income							62,017
Unallocated corporate expenses							(67,259)
Impairment loss recognised in respect of loan receivable							(138,120)
Gain on derivative components of convertible bonds							202,856
Gain from change in fair value on investments held for trading							25,323
Share of results of associates							13,301
Finance costs							(30,916)
Profit before taxation							901,217

Inter-segment sales are charged at prevailing market prices.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of results of associates, change in fair value of investments held for trading and derivative components of convertible bonds, investment revenue, finance costs and impairment loss recognised in respect of loan receivable.

5. TURNOVER AND SEGMENT INFORMATION *(Continued)*

(B) Segment information *(Continued)*

No analysis of the Group's assets and liabilities by reportable segments is disclosed as it is not regularly provided to the CEO for review.

No analysis of other information by reportable segments is presented as it is not regularly provided to the CEO for review.

All the Group's turnover for both years is generated from the PRC (based on where the customers locate) and substantially all the Group's non-current assets other than financial instruments (loan receivable from an associate and available-for-sale investments) were also located in the PRC (place of domicile of the group entities that hold such assets). No individual customer of the Group has contributed sales over 10% of the turnover of the Group for each of the year ended 31 December 2011 or 2010.

6. OTHER INCOME

Other income mainly comprises:

	2011 **HK$'000**	2010 HK$'000
Dividend from listed securities	**3,410**	557
Gain on disposal of property, plant and equipment, net	**4**	–
Interest income on bank deposits	**80,375**	56,663
Interest income on loan receivable	**121,817**	–

7. OTHER EXPENSES

Other expenses mainly comprise:

	2011 HK$'000	2010 HK$'000
Donations	**7,052**	6,546
Impairment loss recognised in respect of loan receivable	**–**	138,120

8. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on:		
– bank borrowings wholly repayable within five years	**23,368**	24,560
– bank borrowings not wholly repayable within five years	**–**	1,267
Effective interest expense on convertible bonds	**13,259**	27,670
	36,627	53,497
Less: Amount capitalised to property under construction	**(12,567)**	(13,549)
Amount capitalised to investment properties under construction	**(8,378)**	(9,032)
	15,682	30,916

Borrowing costs capitalised during the year are calculated by applying average capitalisation rate of 6.8% (2010: 4.6%) per annum to expenditure on qualifying assets.

9. PROFIT BEFORE TAXATION

	2011 HK$'000	2010 HK$'000
Profit before taxation has been arrived at after charging:		
Staff costs including directors' remuneration	85,122	98,852
Share-based payments	–	1,910
Total staff costs	85,122	100,762
Auditor's remuneration	1,780	1,750
Stock of properties recognised as cost of sales	70,874	392,085
Depreciation of property, plant and equipment	7,558	7,022
Operating lease rentals in respect of land and buildings	2,661	3,447
Release of prepaid lease payments	2,096	95
Loss on disposal of property, plant and equipment, net	–	5
Share of taxation of associates	38,313	25,480
and after crediting:		
Rental income, net of outgoings of approximately HK$9,102,000 (2010: HK$5,903,000)	68,666	56,506

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 9 (2010: 8) directors of the Company were as follows:

	Year ended 31 December 2011									
	Mr. Ou Yaping HK$'000	Mr. Tang Yui Man Francis HK$'000	Mr. Chen Wei HK$'000	Mr. Law Sze Lai HK$'000	Mr. Li Ningjun HK$'000	Mr. Xiang Ya Bo HK$'000	Mr. Xin Luo Lin HK$'000	Mr. Tian Jin HK$'000	Dr. Xiang Bing HK$'000	Total HK$'000
Fees (Note (a))	–	–	–	–	–	–	250	250	250	750
Other emoluments										
Salaries and other benefits (Note (b))	5,425	2,398	229	1,465	1,014	1,208	–	–	–	11,739
Bonuses (Note (c))	1,500	800	–	–	242	–	–	–	–	2,542
Retirement benefits scheme contributions	42	12	13	29	28	–	–	–	–	124
Total emoluments	6,967	3,210	242	1,494	1,284	1,208	250	250	250	15,155

For the year ended 31 December 2011

10. DIRECTORS' EMOLUMENTS *(Continued)*

	Year ended 31 December 2010								
	Mr. Ou Yaping HK$'000	Mr. Tang Yui Man Francis HK$'000	Mr. Chen Wei HK$'000	Mr. Law Sze Lai HK$'000	Mr. Li Ningjun HK$'000	Mr. Xin Luo Lin HK$'000	Mr. Tian Jin HK$'000	Dr. Xiang Bing HK$'000	Total HK$'000
Fees (Note (a))	–	–	–	–	–	250	250	250	750
Other emoluments									
Salaries and other benefits (Note (b))	5,422	2,398	614	1,463	964	–	–	–	10,861
Bonuses (Note (c))	2,000	1,500	1,074	–	712	–	–	–	5,286
Retirement benefits scheme contributions	42	12	36	29	39	–	–	–	158
Share-based payments	–	346	173	52	95	45	45	–	756
Total emoluments	7,464	4,256	1,897	1,544	1,810	295	295	250	17,811

Notes: (a) The director's fee of independent non-executive directors is determined by the board of directors with recommendation from the remuneration committee of the Company with reference to their duties and responsibilities within the Group, the Group's performance and the prevailing market situation and to be authorised by the shareholders of the Company at the annual general meeting.

(b) The emoluments of the directors are covered by their respective service contracts and/or supplemental agreements or letters of appointment entered into with the Company.

(c) The annual salary increment and year-end discretionary bonus (if any) of executive directors and non-executive directors are based on the review and recommendation from the remuneration committee of the Company with reference to their duties and responsibilities within the Group, the Group's performance and the prevailing market situation.

None of the directors has waived any remunerations for the years ended 31 December 2011 and 2010.

11. EMPLOYEES' EMOLUMENTS

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

	2011 HK$'000	2010 HK$'000
Salaries and other emoluments benefits	**1,216**	1,192
Bonuses	**240**	220
Retirement benefits scheme contributions	**42**	42
Share-based payments	**–**	135
	1,498	1,589

Note: The bonuses are determined with reference to the operating results, individual performance and comparable market statistic during the year.

During the year, no remunerations was paid by the Group to the five highest paid individuals or a directors of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. TAXATION

	2011 HK$'000	2010 HK$'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	**81,903**	94,778
– overprovision in prior years	**–**	(118,666)
PRC land appreciation tax	**16,484**	245,274
	98,387	221,386
Deferred taxation (note 29)	**61,346**	40,897
	159,733	262,283

No provision for Hong Kong Profits Tax has been made in the financial statements as the amount involved was insignificant for both years.

Taxation for subsidiaries of the Group, which were established and principally operated in the Shenzhen Special Economic Zone, is calculated at the rate of 24% (2010: 22%) of their assessable profits for the year ended 31 December 2011 according to the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law.

Pursuant to State Administration of Taxation ("SAT") Bulletin [2010] No. 29 issued in 2010 ("Circular 29"), a real estate developer is allowed to allocate the final PRC LAT liability on a project to the prior periods covered by the project retroactively and claim a refund of EIT previously paid if it is in EIT loss position in the year in which the final LAT settlement is made. A subsidiary of the Group had accrued LAT in prior years, which was treated as non-deductible for EIT at the relevant years before the issuance of Circular 29 as the management expected that the subsidiary would be in a loss position in the year of final settlement of LAT. Thus, the EIT previously paid in an amount of HK$118,666,000 was reversed in the year ended 31 December 2010 pursuant to the issuance of Circular 29.

12. TAXATION *(Continued)*

In addition, LAT shall be levied at progressive rates ranging from 30% to 60% on the appreciation of land value, represented by the excess of sales proceeds of properties over prescribed direct costs. Prescribed direct costs are defined to include costs of land, development and construction costs, as well as certain costs relating to the property development. According to the SAT's official circulars, LAT shall be payable provisionally upon sales of the properties, followed by final ascertainment of the gain at the completion of the properties development. The Shenzhen local tax bureau has echoed by promulgating Shenfubanhan [2005] No. 93 and Shendishuifa [2005], whereby among others, LAT should be seriously implemented towards sales of properties where contracts were signed on or after 1 November 2005. The management of the Group considers that it has complied with the rules of the aforementioned circulars and other official tax circulars in Shenzhen and LAT for the Group has been accrued accordingly.

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

	2011 **HK$'000**	2010 HK$'000
Profit before taxation	**611,787**	901,217
Tax at the applicable tax rate of 24% (2010: 22%) (Note)	**146,829**	198,268
Tax effect of expenses not deductible for tax purpose	**36,340**	34,600
Tax effect of income not taxable for tax purpose	**(41,032)**	(44,628)
Tax effect of share of results of associates	**(6,245)**	(2,926)
Land appreciation tax	**16,484**	245,274
Tax effect of land appreciation tax deductible for tax purpose	**(3,956)**	(53,960)
Tax effect on deferred tax liabilities recognised at different tax rate	**3,146**	4,291
Tax effect on deferred tax liabilities resulting from withholding tax on undistributed profits of subsidiaries	**6,038**	5,741
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	(5,615)
Tax effect of tax losses not recognised	**2,256**	98
Tax effect of utilisation of tax losses not previously recognised	**(127)**	(194)
Overprovision of taxation in prior years	**–**	(118,666)
Taxation for the year	**159,733**	262,283

Note: The tax rate of 24% for the year ended 31 December 2011 (2010: 22%) represents PRC Enterprise Income Tax which is applicable to most of the Group's operations in the PRC.

13. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Dividends recognised as distribution during the year:		
2009 final of HK3.0 cents per share	–	106,233

The directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: nil).

14. EARNINGS PER SHARE

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

	2011 HK$'000	2010 HK$'000
Earnings for the purpose of basic earnings per share, being profit for the year attributable to owners of the Company	375,172	560,317
Effect of dilutive potential ordinary shares:		
Gain on derivative components of convertible bonds	(50,444)	(202,856)
Interest on convertible bonds	13,259	27,670
Earnings for the purpose of diluted earnings per share	337,987	385,131

	Number of shares 2011	2010
Weighted average number of shares for the purpose of basic earnings per share	3,541,112,832	3,543,255,298
Effect of dilutive potential shares:		
Convertible bonds	198,904,110	436,488,169
Share options	–	2,459,178
Weighted average number of shares for the purpose of diluted earnings per share	3,740,016,942	3,982,202,645

The computation of diluted earnings per share in 2011 did not assume the exercise of the Company's share options because the exercise prices of these options were higher than the average market price for shares for the year.

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15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Property under construction HK$'000	Total HK$'000
COST					
At 1 January 2010	70,241	36,796	13,202	30,678	150,917
Currency realignment	2,477	1,171	351	1,082	5,081
Additions	152	1,029	2,135	76,783	80,099
Disposals	–	(447)	–	–	(447)
At 31 December 2010	72,870	38,549	15,688	108,543	235,650
Currency realignment	3,594	1,721	616	5,335	11,266
Additions	2,680	999	2,167	82,791	88,637
Disposals	–	(172)	–	–	(172)
At 31 December 2011	79,144	41,097	18,471	196,669	335,381
DEPRECIATION AND AMORTISATION					
At 1 January 2010	35,734	32,577	6,728	–	75,039
Currency realignment	1,248	1,113	235	–	2,596
Provided for the year	3,151	951	2,920	–	7,022
Eliminated on disposals	–	(410)	–	–	(410)
At 31 December 2010	40,133	34,231	9,883	–	84,247
Currency realignment	1,931	1,640	430	–	4,001
Provided for the year	3,411	892	3,255	–	7,558
Eliminated on disposals	–	(142)	–	–	(142)
At 31 December 2011	45,475	36,621	13,568	–	95,664
CARRYING VALUES					
At 31 December 2011	33,669	4,476	4,903	196,669	239,717
At 31 December 2010	32,737	4,318	5,805	108,543	151,403

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The carrying amount of the Group's leasehold land and buildings comprises properties situated in the PRC and held under long leases.

The above items of property, plant and equipment, except for property under construction, are depreciated on a straight-line basis after taking into account of their estimated residual values, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the lease term and 50 years
Furniture, fixtures and equipment	20% to 30%
Motor vehicles	20% to 30%

16. PREPAID LEASE PAYMENTS

	2011	2010
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong held under long leases		
Non-current assets	**119,635**	116,051
Current assets	**2,140**	2,039
	121,775	118,090

17. INVESTMENT PROPERTIES

	Completed investment properties	Investment properties under construction	Total
	HK$'000	HK$'000	HK$'000
FAIR VALUE			
At 1 January 2010	957,870	20,453	978,323
Exchange realignment	37,855	721	38,576
Transfer from stock of properties	314,412	–	314,412
Construction costs incurred	–	51,189	51,189
Increase in fair value of investment properties	150,291	–	150,291
Disposal of completed investment property	(13,896)	–	(13,896)
At 31 December 2010	1,446,532	72,363	1,518,895
Exchange realignment	76,046	3,569	79,615
Transfer from stock of properties	139,039	–	139,039
Construction costs incurred	–	55,194	55,194
Increase in fair value of investment properties	314,651	–	314,651
Disposal of completed investment properties	(106,971)	–	(106,971)
At 31 December 2011	1,869,297	131,126	2,000,423

The fair value of the Group's completed investment properties at 31 December 2011 and 2010 have been arrived at on the basis of a valuation carried out on those dates by Messrs. DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group, and are the members of The Hong Kong Institute of Surveyors. The valuation of investment properties was arrived at by reference to market evidence of transaction prices for similar properties. The investment properties under construction only include the building portion. The directors consider that the fair value of the investment properties under construction at the end of reporting period approximates to its carrying amount.

Stock of completed properties were transferred to investment properties when there was commencement of an operating lease to another party. The difference between the fair value of the property at the date of transfer and its previous carrying amount are recognised in profit or loss.

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

17. INVESTMENT PROPERTIES *(Continued)*

The investment properties are held under long leases and are situated in the PRC.

At 31 December 2011, the Group's investment properties with a carrying value of HK$480,888,000 (2010: HK$403,055,000) were pledged to secure general banking facilities granted to the Group.

18. INTERESTS IN ASSOCIATES

	2011 HK$'000	2010 HK$'000
Cost of unlisted investment in associates	**4**	4
Share of post-acquisition results and other comprehensive income	**159,065**	110,925
	159,069	110,929

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

Name of associate	**Place of incorporation/ establishment and form of business structure**	**Principal place of operation**	**Percentage of equity interest attributable to the Group 2011 & 2010**	**Principal activities**
Rockefeller Group Asia Pacific, Inc. ("RGAP")	BVI – limited liability company	Hong Kong	**49%**	Investment holding
Shanghai Bund de Rockefeller Group Master Development Co., Ltd. ("Shanghai Rockefeller")	PRC – equity interest venture	PRC	**44.57%**	Property development and property investment
Shanghai Rockbund Property Management Limited	PRC – limited liability company	PRC	**44.57%**	Property management

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

18. INTERESTS IN ASSOCIATES *(Continued)*

The summarised financial information (after adjustments for unrealised profits) in respect of the Group's associates is set out below:

	2011	2010
	HK$'000	HK$'000
Total assets	**4,658,127**	3,792,855
Total liabilities	**(4,319,005)**	(3,567,082)
Net assets	**339,122**	225,773
Group's share of net assets of associates	**159,069**	110,929
Revenue	**–**	–
Profit for the year	**57,665**	28,336
Other comprehensive income for the year	**47,119**	12,137
Group's share of profit and other comprehensive income of associates for the year	**48,140**	18,998

19. AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
	HK$'000	HK$'000
Debentures, at fair value	**13,761**	1,261

For the year ended 31 December 2011

20. LOAN RECEIVABLE

	2011	2010
	HK$'000	HK$'000
Shareholder's loan receivable	**2,142,895**	2,021,078

The amount represents shareholder's loan receivable to the Group's associate, RGAP, for financing a property development and property investment project in Shanghai, which carries a 20% coupon interest rate per annum and forms part of the net investment in RGAP. The amount is carried at amortised cost based on the estimated future cash flows that are expected to be received by the Group as well as the estimates of the timing of such receipts. The loan receivable including principal and interest is unsecured and has no fixed repayment terms. The directors consider that the loan receivable will not be repayable within one year from the end of the reporting period, it is classified as non-current asset accordingly.

In 2010, due to the extension of the anticipated completion period of the property projects, the Group had revised its estimates from the receipts of the shareholder's loan receivable during the year ended 31 December 2010 and therefore an impairment loss of HK$138,120,000 was recognised for the year ended 31 December 2010 by reference to the present value of the estimated future cash flows discounted using the effective interest rate at initial recognition.

The directors have reviewed the carrying amount of loan receivable of HK$2,142,895,000 (2010: HK$2,021,078,000) and consider that this amount is fully recoverable.

21. STOCK OF PROPERTIES

	2011	2010
	HK$'000	HK$'000
Properties under development	**618,432**	653,462
Stock of properties held for sale	**65,860**	132,717
	684,292	786,179

The stock of properties were located in the PRC under long lease. Properties under development of HK$618,432,000 (2010: HK$653,462,000) represent the carrying value of the properties expected to be completed within one year from (2010: expected to be completed more than twelve months after) the end of the reporting period.

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22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011 HK$'000	2010 HK$'000
Trade receivables	**4,552**	10,657
Other receivables, deposits and prepayments (Note)	**139,478**	194,652
	144,030	205,309

Note: Included in other receivables is an amount of RMB75,444,000 (equivalent to approximately HK$93,026,000) (2010: RMB124,440,000, equivalent to approximately HK$146,000,000) paid to an independent third party for the development of intelligent community projects. The balance is fully refunded in 2012.

Included in other receivables is an amount due from an investee company of HK$1,820,000. The amounts advanced by the shareholders are determined by the shareholding in the investee company. The advance is unsecured, interest bearing at 2.5% per annum, and has no fixed repayment terms.

The remaining balances mainly represent bank interest receivables, rental deposits and prepayments.

The Group allows an average credit period ranging from 0 to 60 days to its customers. The following is an aged analysis of trade receivables presented based on invoice date at the end of reporting period:

	2011 HK$'000	2010 HK$'000
Aged:		
0 to 60 days	**3,593**	6,825
61 to 180 days	**578**	3,732
Over 181 days	**381**	100
	4,552	10,657

Management closely monitors the credit quality of trade receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality.

Included in the Group's trade and other receivables, deposits and prepayments are debtors with aggregate carrying amount of HK$959,000 (2010: HK$3,832,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

22. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

Aging of trade debtors which are past due but not impaired:

	2011	2010
	HK$'000	HK$'000
61-180 days	**578**	3,732
Over 181 days	**381**	100
	959	3,832

The Group has not provided fully for all receivables aged over 60 days based on the historical experience of the Group that receivables are past due but not impaired are generally recoverable.

23. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates are unsecured, interest-free and repayable on demand.

24. INVESTMENTS HELD FOR TRADING

	2011	2010
	HK$'000	HK$'000
Investments held for trading include:		
– Equity securities listed in Hong Kong	**175,159**	252,435
– Unlisted managed investment funds	**–**	295,128
	175,159	547,563

The fair value of the above listed securities was determined based on the quoted market bid prices of the listed securities available on the relevant exchanges.

The fair value of the investments in unlisted managed investment funds, which were redeemable and issuable at the net asset value as defined in the fund's constitution documents, was measured by reference to the net assets value provided by the financial institutions which are the administrators of the investment funds.

25. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The Group's pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The deposits have been pledged to secure short-term bank loans and are therefore classified as current assets. The pledged bank deposits will be released upon the repayment of the relevant bank borrowings.

Bank balances and pledged bank deposits carry interest at prevailing market rates which range from 0.01% to 3.10% (2010: 0.01% to 2.20%) per annum at 31 December 2011.

At the end of the reporting period, the Group has the following bank balances denominated in foreign currencies of the relevant group entities:

	2011	2010
	HK$'000	HK$'000
Bank balances denominated in:		
United States dollars	**72,788**	76,243
HKD	**25,556**	56,269

26. TRADE PAYABLES, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in trade payables, deposits received and accrued charges are trade payables of HK$245,907,000 (2010: HK$363,219,000) and receipt in advance from property sales of HK$10,562,000 (2010: HK$21,913,000).

The following is an aged analysis of trade payables at the end of the reporting period:

	2011	2010
	HK$'000	HK$'000
Aged:		
0 to 90 days	**88,627**	331,734
91 to 180 days	**12,182**	1,561
181 to 360 days	**26,845**	8,094
Over 360 days	**118,253**	21,830
	245,907	363,219

27. BORROWINGS

	2011	2010
	HK$'000	HK$'000
Bank loans – secured	**36,991**	94,007
Bank loans – unsecured	**346,609**	335,018
	383,600	429,025
Carrying amount repayable:		
Within one year	**61,652**	58,754
More than one year but not exceeding two years	**49,322**	58,754
More than two years but not exceeding five years	**172,626**	188,014
Over five years	**–**	23,503
	283,600	329,025
Carrying amount of bank loans that are repayable in February 2012 (2010: February 2012) but contain a repayment on demand clause (shown under current liabilities)	**100,000**	100,000
	383,600	429,025
Less: Amount classified as current liabilities	**(161,652)**	(158,754)
Amount due after one year and classified as non-current liabilities	**221,948**	270,271

At 31 December 2011, the amount of borrowings of the Group includes an amount of HK$100,000,000 (2010: HK$100,000,000) which carries interest at Hong Kong Interbank Offer Rate plus 1.9% per annum. The remaining borrowings are carried interest at benchmark interest rate as stipulated by the People's Bank of China. The interest rates as at the end of the reporting period for these loans range from 2.15% to 7.5% (2010: 2.15% to 6.4%) per annum.

27. BORROWINGS *(Continued)*

As at the end of the reporting period, the Group has the following bank loans denominated in foreign currencies of the relevant group entities:

	2011	2010
	HK$'000	HK$'000
Bank loans denominated in HKD	**100,000**	100,000

28. CONVERTIBLE BONDS

On 15 June 2009, the Company entered into a placing agreement ("Placing Agreement") with an independent placing agent by which the Company has agreed to appoint the placing agent to procure, on a best-efforts basis, subscription of the convertible bonds of the Company, with the maximum principal amount of HK$500,000,000, subject to and upon the terms and conditions contained in the Placing Agreement and the shareholders' approval. The Placing Agreement, the creation and issue of the convertible bonds are approved by the shareholders of the Company in a special general meeting on 13 July 2009.

On 28 September 2009 ("Issue Date"), the Company issued the three-year zero coupon convertible bonds at par with a nominal value of HK$500,000,000 to independent third parties. The convertible bonds are denominated in Hong Kong dollars. The bonds entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date on 28 September 2012 ("Maturity Date") at a conversion price of HK$1.10 per ordinary share. If the bonds have not been converted, they will be redeemed on Maturity Date at par.

During the year, convertible bonds with a nominal value of HK$315,000,000 (2010: HK$150,000,000) were redeemed by the Group at cash consideration of HK$315,000,000 (2010: HK$150,000,000).

The convertible bonds contain two components, liability component and conversion and early redemption option derivative components. The effective interest rate of the liability component is 6.85%. The conversion and early redemption option derivatives are measured at fair value with changes in fair value recognised in profit or loss.

The Company has right to redeem, in whole and not in part, the convertible bonds, at any time commencing from the Issue Date to Maturity Date, by giving the bondholders at least seven business days' prior notice at the redemption amount which is 100% of the principal amount of the outstanding convertible bonds as at the date of redemption.

28. CONVERTIBLE BONDS *(Continued)*

Each of the bondholders may, at any time during the period commencing from the Issue Date, and expiring on the Maturity Date, request the Company to redeem, in whole or in part, the outstanding convertible bonds held by it.

The movement of the liability component and conversion and early redemption option derivative components of the convertible bonds for the year is set out as below:

	Principal amount HK$'000	**Carrying amount of liability component** HK$'000
At 1 January 2010	490,000	408,546
Interest charge	–	27,670
Redemption during the year	(150,000)	(132,953)
At 31 December 2010	340,000	303,263
Interest charge	–	13,259
Redemption during the year	(315,000)	(292,320)
At 31 December 2011	25,000	24,202

28. CONVERTIBLE BONDS *(Continued)*

	Conversion and early redemption option derivatives HK$'000
At 1 January 2010	294,281
Settlements resulting from redemption during the year	(17,047)
Gain on derivative components recognised in profit or loss	(202,856)
At 31 December 2010	74,378
Settlements resulting from redemption during the year	(22,680)
Gain on derivative components recognised in profit or loss	(50,444)
At 31 December 2011	1,254

The estimate of the fair value of the conversion and early redemption option derivatives is measured based on the binomial option pricing model. Details of the assumptions of conversion and early redemption option derivatives are as follows:

Date of valuation	31.12.2011	31.12.2010	31.12.2009	28.9.2009 (date of issue)	13.7.2009 (date of commitment)
Share price (HK$)	0.58	1.130	1.480	1.940	1.240
Exercise price (HK$)	1.100	1.100	1.100	1.100	1.100
Expected volatility (expressed as a weighted average volatility used in the modelling under binomial option pricing model)	41.99%	35.61%	43.81%	42.57%	42.56%
Maturity period	0.7 year	1.7 years	2.7 years	3.0 years	3.0 years
Conversion period	0.7 year	1.7 years	2.7 years	3.0 years	3.0 years

29. DEFERRED TAXATION

	Revaluation on investment properties	Undistributed profits of subsidiaries	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2010	92,146	10,174	102,320
Currency realignment	4,074	494	4,568
Charge to consolidated income statement	35,156	5,741	40,897
At 31 December 2010	131,376	16,409	147,785
Currency realignment	7,322	936	8,258
Charge to consolidated income statement	55,307	6,039	61,346
At 31 December 2011	194,005	23,384	217,389

At the end of the reporting period, the Group has estimated unused tax losses of HK$29,954,000 (2010: HK$21,068,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams and such tax losses may be carried forward indefinitely.

Deferred taxation on undistributed profits of subsidiaries has been recognised taking into accounts the dividends to be distributed from profits earned by the subsidiaries in the PRC starting from 1 January 2008 under the New Law of the PRC that requires withholding tax with tax rate ranging from 5% to 10% upon the distribution of such profits to the shareholders. Deferred taxation has not been recognised in respect of certain undistributable retained profits earned by the subsidiaries in the PRC starting from 1 January 2008 amounting to HK$1,326,171,000 (2010: HK$1,343,000,000) as the directors are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

30. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Shares of HK$0.10 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	6,000,000,000	600,000
Issued and fully paid:		
At 1 January 2010	3,563,112,832	356,311
Repurchase of shares	(22,000,000)	(2,200)
At 31 December 2010 and 31 December 2011	3,541,112,832	354,111

During the year ended 31 December 2010, the Company repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	HK$	HK$'000
January 2010	20,000,000	1.33	1.29	26,303
February 2010	2,000,000	1.34	1.32	2,653

The shares repurchased by the Company during the year ended 31 December 2010 were cancelled.

31. RESERVES

The contributed surplus of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1998.

The general reserves represent the enterprise expansion fund and general reserve fund set aside by certain subsidiaries in accordance with the relevant laws and regulations of the PRC, which are not available for distribution.

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32. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the borrowings and convertible bonds disclosed in notes 27 and 28, and equity attributable to owners of the Company, comprising issued share capital, reserves including retained earnings.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Fair value through profit or loss		
Held for trading	**175,159**	547,563
Loans and receivables (including cash and cash equivalents)	**6,667,100**	7,181,593
Available-for-sale financial assets	**13,761**	1,261
Financial liabilities		
Amortised cost	**737,593**	1,235,708
Derivative instruments	**1,254**	74,378

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, loan receivable, trade and other receivables, amounts due from associates, investments held for trading, pledged bank deposits, bank balance and cash, borrowings, convertible bonds and trade and other payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. The management considers the Group does not expose to significant foreign currency risk as majority of its transactions are denominated in RMB (the functional currency of the Group's major subsidiaries). There were certain balances of financial assets and liabilities denominated in foreign currency. The 5% (2010: 5%) increase and decrease in RMB against the relevant foreign currencies is the rate used which represents management's assessment of the possible change in foreign exchange rates. If foreign currency exchange rate had been 5% higher/lower and all other variables were held constant, the Group's profit after taxation for the year ended 31 December 2011 would decrease/increase by HK$4,995,000 (2010: decrease/increase by HK$21,032,000). This is mainly attributable to the Group's exposure to foreign currency exchange rate on the convertible bonds, bank balances and bank borrowing.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivable from an associate and liability component of convertible bonds and cash flow interest rate risk in relation to bank balances and pledged bank deposits at prevailing market rates and variable-rate bank borrowings. The Group currently does not have any policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for financial instruments at the end of the reporting period. For variable-rate financial instruments, the analysis is prepared assuming the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after taxation for the year ended 31 December 2011 would increase/decrease by HK$19,413,000 (2010: increase/decrease by HK$17,226,000). This is mainly attributable to the Group's exposure to interest rates on its interest bearing bank balances, pledge bank deposits and variable-rate bank borrowings in the PRC.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities and unlisted managed investment funds. The Group has concentration risk on its investments held for trading which were mainly invest on property industry sector and has equity price risk on equity instruments quoted in the Stock Exchange and from a financial institution respectively. The Group has a team to monitor the price risk and will consider hedging the risk exposure should the need arise.

In addition, the Group is required to estimate the fair value of the conversion and early redemption option derivatives in the convertible bonds at the end of the reporting period with changes in fair value to be recognised in the consolidated income statements as long as the convertible bonds are outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes of the Company's share market price and share price volatility.

The sensitivity analyses below have been determined based on the exposure to equity price risks and the Company's share price risk at the reporting date respectively.

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk (Continued)

If the prices of the respective equity instruments had been 10% higher/lower, profit after taxation for the year ended 31 December 2011 increase/decrease by HK$14,625,000 (2010: HK$45,721,000) as a result of the changes in fair value of investments held for trading.

If the Company's share price had been 10% higher/lower and all other variables were held constant, the Group's profit for the year (as a result of changes in fair value of derivative components of convertible bonds) would decrease/increase by HK$Nil (2010: HK$23,962,000) and HK$Nil (2010: HK$19,324,000) respectively.

Credit risk

As at 31 December 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amount of contingent liabilities disclosed in note 37.

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

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

Other than concentration of credit risk on loan receivable and amounts due from associates and unlisted managed investment funds which are concentrated in one counter party, the Group does not have any other significant concentration of credit risk.

Liquidity risk

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

The Group relies on sale of properties and borrowings as a source of liquidity.

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

2011	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 month to 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2011 HK$'000
Trade and other payables	–	33,226	296,565	–	–	329,791	329,791
Convertible bonds (liability)	6.85	25,000	–	–	–	25,000	24,202
Convertible bonds (derivative components)	–	1,254	–	–	–	1,254	1,254
Financial guarantees	–	–	74,640	–	–	74,640	–
Borrowings	5.53	101,587	79,112	256,987	–	437,686	383,600
		161,067	450,317	256,987	–	868,371	738,847

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

2010	Weighted average interest rate %	On demand or less than 1 month HK$'000	1 month to 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2010 HK$'000
Trade and other payables	–	80,367	423,053	–	–	503,420	503,420
Convertible bonds (liability)	7.01	340,000	–	–	–	340,000	303,263
Convertible bonds (derivative components)	–	74,378	–	–	–	74,378	74,378
Financial guarantees	–	–	88,081	–	–	88,081	–
Borrowings	5.06	101,809	74,016	284,228	24,691	484,744	429,025
		596,554	585,150	284,228	24,691	1,490,623	1,310,086

Note: The amounts included above for financial guarantee contracts were the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if the mortgage loans are defaulted by the counter parties. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under that arrangement. However, this estimate is subject to change depending on the probability of the counter parties would default on the relevant loans under the guarantee which is a function of the likelihood that the financial receivables held by banks which are guaranteed suffer credit losses.

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2011 and 31 December 2010, the aggregate undiscounted principal amounts of these bank loans amounted to HK$100,000,000. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans at 31 December 2011 will be repaid between 1 month to 1 year period after the reporting date and such bank loans at 31 December 2010 will be repaid between one to two years after 31 December 2010 in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$100,359,000 (2010: HK$102,508,000).

33. FINANCIAL INSTRUMENTS *(Continued)*

Fair value

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

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

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions; and

- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of option pricing models for optional derivatives.

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

Fair value measurements recognised in the statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

33. FINANCIAL INSTRUMENTS *(Continued)*

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

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Available-for-sale financial assets				
Unlisted debentures	**13,761**	**–**	**–**	**13,761**
Financial assets at FVTPL				
Non-derivative financial assets held for trading				
Listed equity securities	**175,159**	**–**	**–**	**175,159**
	188,920	**–**	**–**	**188,920**
Financial liabilities at FVTPL				
Conversion and early redemption option derivatives	**–**	**–**	**1,254**	**1,254**

	2010			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets				
Unlisted debentures	1,261	–	–	1,261
Financial assets at FVTPL				
Non-derivative financial assets held for trading				
Listed equity securities	252,435	–	–	252,435
Unlisted managed investment funds	–	295,128	–	295,128
	253,696	295,128	–	548,824
Financial liabilities at FVTPL				
Conversion and early redemption option derivatives	–	–	74,378	74,378

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

33. FINANCIAL INSTRUMENTS *(Continued)*

Reconciliation of Level 3 fair value measurements of financial liabilities:

	Conversion and early redemption option derivatives HK$'000
At 1 January 2010	294,281
Settlements	(17,047)
Total gains or losses recognised in profit or loss	(202,856)
At 31 December 2010	74,378
Settlements	(22,680)
Total gains or losses recognised in profit or loss	(50,444)
At 31 December 2011	1,254

Of the total gains or losses for the year included in profit or loss, gain of HK$50,444,000 (2010: HK$202,856,000) relates to conversion and early redemption option derivatives at the end of the reporting period. Fair value gains or losses on the conversion and early redemption option derivatives are included in change in fair value of derivative components of convertible bonds.

34. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year.

Name of related party	Nature of transaction	Notes	2011 HK$'000	2010 HK$'000
RGAP	Interest income on shareholder's loan	a	121,817	–
Shanghai Rockefeller	Project management fee income	a	26,195	26,195
Ms. Cheung Loi Ping	Sales of properties	b	–	3,490

Notes:

(a) RGAP and Shanghai Rockefeller are associates of the Group.

(b) Ms. Cheung Loi Ping is the wife of Mr. Ou Yaping, a director and a substantial shareholder of the Company.

The key management personnel are the directors and the five highest paid individuals of the Company. The details of the remuneration paid to them are set out in notes 10 and 11.

35. SHARE OPTIONS

The Company's share option schemes were adopted pursuant to the resolutions passed on 24 May 2002 (the "Sinolink Existing Scheme") for providing incentives to directors and eligible employees. The Sinolink Existing Scheme will expire on 23 May 2012. Under the Sinolink Existing Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries, to subscribe for shares in the Company.

Movements of the Company's share options held by employees (including directors) during the year were as follows:

	Number of share options		
	Outstanding at beginning of year	Lapsed during the year	Outstanding at end of year
For the year ended 31 December 2011	**111,112,500**	**(1,125,000)**	**109,987,500**
Exercisable at the end of the year			**109,987,500**
Weighted average exercise price (HK$)	**1.680**	**1.778**	**1.687**
For the year ended 31 December 2010	132,600,000	(21,487,500)	111,112,500
Exercisable at the end of the year			111,112,500
Weighted average exercise price (HK$)	1.702	1.774	1.680

During the year, no options were granted, exercised or lapsed.

The Group recognised total expenses of HK$1,910,000 for the year ended 31 December 2010 in relation to share options granted by the Company. During the year, the Group does not recognise such expense.

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36. RETIREMENT BENEFITS SCHEMES

The Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at a rate of 7 to 25 percent of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made.

The Group has joined a Mandatory Provident Fund ("MPF") Scheme for all its non-PRC employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to contributes 5% of relevant payroll costs with a maximum of HK$1,000 per employee per month to the MPF Scheme, which contribution is matched by the employee. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group made contributions to the retirement benefits schemes amounted to HK$3,909,000 (2010: HK$4,983,000).

37. CONTINGENT LIABILITIES

	2011 HK$'000	2010 HK$'000
Guarantees given to banks for the mortgage loans arranged for the purchasers of the Group's properties	**74,640**	88,081

No financial liabilities were recorded as, in the opinion of the directors, the fair values of the financial guarantee contracts at initial recognition were not significant during both years and it is not probable that the counter parties would default on the relevant loans.

38. COMMITMENTS

	2011 HK$'000	2010 HK$'000
Capital commitments in respect of properties under constructions:		
– contracted for but not provided in the consolidated financial statements	**76,511**	58,754
– authorised but not contracted for	**546,495**	375,890
Commitments in respect of properties under development:		
– contracted for but not provided in the consolidated financial statements	**123,360**	442,411
– authorised but not contracted for	**–**	67,398
Committed funding to an investment fund	**–**	77,500

39. OPERATING LEASE COMMITMENTS

The Group as lessor

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

	2011 **HK$'000**	2010 HK$'000
Within one year	**61,113**	60,970
In the second to fifth year inclusive	**142,141**	165,761
Over five years	**73,387**	97,688
	276,641	324,419

The properties held have committed tenants for periods up to ten years after the end of the reporting period.

The Group as lessee

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

	2011 **HK$'000**	2010 HK$'000
Within one year	**5,398**	2,012
In the second to fifth years inclusive	**5,945**	52
	11,343	2,064

Operating lease payments represent rental payable by the Group for certain of its office properties.

Leases are negotiated for terms ranging from one to two years.

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40. PLEDGE OF ASSETS

At 31 December 2011, bank deposits of HK$606,000 (2010: HK$1,633,000) and investment properties with an aggregate carrying amount of HK$480,888,000 (2010: HK$403,055,000) were pledged to banks to secure general banking facilities granted to the Group.

41. LIST OF SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Cnhooray Internet Technology Co., Ltd. 深圳日訊網絡科技股份有限公司	PRC – Sino-foreign equity joint venture	RMB40,000,000	–	80%	Consultancy services in relation to information, multimedia and communication technologies
Ease Win International Limited	BVI	US$1	100%	–	Investment holding
Firstline Investment Limited	BVI	US$1	–	100%	Investment holding
Global Mark Investments Limited	BVI	US$1	–	100%	Investment holding
Knatwood Limited	BVI	US$1	–	100%	Investment holding
Leader Faith International Limited	BVI	US$1	100%	–	Investment holding
Link Capital Investments Limited	BVI	US$50,000	–	100%	Investment holding
Mei Long Investments Limited	Hong Kong	HK$1	–	100%	Investment holding
Ocean Diamond Limited	BVI	US$50,000	–	100%	Investment holding
Real Achieve Limited	BVI	US$1	100%	–	Investment holding
Shanghai Sinolink Xijiao Property Development Co., Ltd. 上海百仕達西郊地產發展有限公司	PRC – Limited company	RMB190,000,000	–	80%	Property development

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41. LIST OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
上海百仕達蘇河灣地產發展有限公司	PRC – Limited company	RMB5,000,000	–	80%	Property development
深圳市百仕達置地有限公司	PRC – Limited company	RMB10,000,000	–	80%	Property development
Shenzhen Mangrove West Coast Property Development Co., Ltd. 深圳紅樹西岸地產發展有限公司	PRC – Sino-foreign equity joint venture	RMB200,000,000	–	87%	Property development
深圳百仕達商業管理有限公司	PRC – Limited company	RMB1,000,000	–	80%	Property management
深圳百仕達酒店管理有限公司	PRC – Limited company	RMB1,000,000	–	80%	Property management
Shenzhen Sinolink Property Management Co., Ltd. 深圳百仕達物業管理有限公司	PRC – Limited company	RMB5,000,000	–	80%	Property management
Sino Elegance Investment Holdings Limited 源品投資控股有限公司	Hong Kong	HK$1	–	100%	Investment holding
Sino Support Holdings Limited 漢承控股有限公司	BVI	USD3,000	100%	–	Investment holding
Sinolink Assets Management Limited	BVI	HK$2	100%	–	Investment holding
Sinolink LPG Development Limited	BVI	US$1	–	100%	Investment holding

For the year ended 31 December 2011

41. LIST OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Sinolink Petrochemical Investment Limited	BVI	US$1	–	100%	Investment holding
Sinolink Progressive Limited	BVI	US$47,207	100%	–	Investment holding
Sinolink Properties Agent Limited 百仕達物業代理有限公司	Hong Kong	HK$10,000	–	100%	Dormant
Sinolink Properties Limited 百仕達地產有限公司	PRC – Foreign equity joint venture	RMB375,000,000	–	80%	Property development
Sinolink Shanghai Investments Ltd.	BVI	US$1	100%	–	Investment holding
Sinolink Worldwide (HK) Company Limited 香港百仕達有限公司	Hong Kong	HK$10,000,000	–	100%	Investment holding
Smart Orient Investments Limited	BVI	US$1	100%	–	Investment holding
Timeway Holdings Limited	Hong Kong	HK$10,000	100%	–	Investment holding

Except for the investment holding companies which have no definite place of operation, all the above subsidiaries operate principally in their respective place of incorporation/establishment.

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

At 31 December 2011

PROPERTIES HELD FOR DEVELOPMENT/SALE

	Description	Type of use	GFA (M^2)	Effective % held	Stage of completion	Anticipated completion
1.	Phase 5, Part 1, Sinolink Garden Eastern District Taining Road, Taibai Road, Buxin Road, Luowu District, Shenzhen	Residential and commercial	1,077	80%	Completed	N/A
2.	Mangrove West Coast Land lot no. 7207-0026 Bin Hai Da Dao North, Sha He Dong East, Nanshan, Shenzhen	Residential	8,987	87%	Completed	N/A
3.	Land lot no. 240 of Xinjingzhen, Changning District, Shanghai	Residential	13,830	80%	Construction in progress	2012

At 31 December 2011

PROPERTIES HELD FOR INVESTMENTS

	Property	Type of use	GFA (M^2)	Effective % held
1.	518 car parks at Residence Club House Phase 1, Sinolink Garden Taining Road Luowu District Shenzhen	Car parks	16,500	80%
2.	Unit Nos. 101,102 ad 103 Ancillary Building West District, Phase 4, Sinolink Garden Taining Road Luowu District Shenzhen	Commercial	20,232	80%
3.	4 lorry parking spaces and 1,070 car parks Phase 4, Sinolink Garden Taining Road Luowu District Shenzhen	Car parks	44,000	80%
4.	1,700 car parks at Residence Club House Mangrove West Coast Land lot no. 7207-0026 Bin Hai Da Dao North Sha He Dong East, Nanshan Shenzhen	Car parks	84,834	87%

At 31 December 2011

	Property	Type of use	GFA (M^2)	Effective % held
5.	Phase 5, Sinolink Garden Eastern District Taining Road Luowu District Shenzhen	Commercial	39,434	80%
6.	1,942 car parks Phase 5, Sinolink Garden Taining Road Luowu District Shenzhen	Car parks	72,381	80%

For the year ended 31 December 2011

	For the year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	2,921,556	1,688,807	3,999,178	1,280,936	**349,166**
Profit before taxation	2,014,434	785,360	2,247,604	901,217	**611,787**
Taxation	(699,530)	(351,675)	(821,011)	(262,283)	**(159,733)**
Profit for the year	1,314,904	433,685	1,426,593	638,934	**452,054**
Attributable to:					
Owners of the Company	1,167,067	342,874	1,213,800	560,317	**375,172**
Non-controlling interests	147,837	90,811	212,793	78,617	**76,882**
	1,314,904	433,685	1,426,593	638,934	**452,054**
	HK cents	HK cents	HK cents	HK cents	**HK cents**
Earnings per share					
Basic	35.95	10.43	36.25	15.81	**10.59**
Diluted	35.64	10.43	36.23	9.67	**9.04**

	As at 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	6,749,383	7,486,663	10,724,772	10,435,384	**10,069,702**
Total liabilities	(2,207,291)	(2,515,761)	(3,889,938)	(2,959,383)	**(1,900,504)**
	4,542,092	4,970,902	6,834,834	7,476,001	**8,169,198**
Equity attributable to owners of the Company	4,064,079	4,396,125	6,069,281	6,626,096	**7,199,733**
Non-controlling interests	478,013	574,777	765,553	849,905	**969,465**
	4,542,092	4,970,902	6,834,834	7,476,001	**8,169,198**