YUGANG INTERNATIONAL LIMITED

Stock Code: 613

2011
ANNUAL REPORT

Contents

Corporate Information

(as of 28 March 2012)

BOARD OF DIRECTORS

Executive Directors

Mr. Cheung Chung Kiu *(Chairman)*
Mr. Yuen Wing Shing *(Managing Director)*
Mr. Zhang Qing Xin
Mr. Lam Hiu Lo
Mr. Liang Kang

Non-Executive Directors

Mr. Lee Ka Sze, Carmelo
Mr. Wong Yat Fai

Independent Non-Executive Directors

Mr. Luk Yu King, James
Mr. Leung Yu Ming, Steven
Mr. Ng Kwok Fu

COMMITTEES

Audit Committee

Mr. Luk Yu King, James *(Chairman)*
Mr. Lee Ka Sze, Carmelo
Mr. Leung Yu Ming, Steven
Mr. Ng Kwok Fu

Remuneration Committee

Mr. Cheung Chung Kiu *(Chairman)*
Mr. Leung Yu Ming, Steven
Mr. Ng Kwok Fu

AUTHORISED REPRESENTATIVES

Mr. Cheung Chung Kiu
Mr. Yuen Wing Shing

COMPANY SECRETARY

Mr. Albert T.da Rosa, Jr.

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

LEGAL ADVISERS

Bermuda:

Conyers Dill & Pearman

Hong Kong:

Woo Kwan Lee & Lo
Cheung Tong & Rosa Solicitors

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 3301-3307
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Bank Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

WEBSITE ADDRESS

http://www.yugang.com.hk

STOCK CODE

613

Chairman's Statement and Management Discussion and Analysis

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Yugang International Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

RESULTS

The Group reported an audited consolidated net loss of HK$670.4 million attributable to shareholders for the year ended 31 December 2011 as compared with a net profit of HK$157.0 million as restated in 2010. The basic loss per share for the year was HK7.2 cents (2010: Basic earnings per share of HK1.69 cents as restated).

BUSINESS REVIEW

Major global economies in 2011 were particularly weak, as various uncertainties including European sovereign debt crisis and tight monetary policy in China had undermined the growth of the global economy. As European sovereign debt crisis deepened, demand weakened in European and American markets. Exports from emerging markets including China and Hong Kong were also slow in the fourth quarter of 2011. In addition, the worsening European sovereign debt crisis in the third quarter of 2011 had caused dramatic fluctuations in international financial markets. Investor confidence was adversely hit and there were signs that funds were flowing out of Hong Kong. The local stock market was therefore shocked significantly and the Hang Seng Index dropped to around 16,100 points under a panic atmosphere during the second half of the year. The financial market of Hong Kong in 2011 was extremely choppy and the huge volatility of stock market had significant negative impact on the Group's performance. The Group, therefore, recorded an unrealized substantial loss on the fair value of short-term and long-term financial assets for the year.

Property Investment and Infrastructure Business

Property Investment Business

The majority of property investment business of the Group was carried out through a substantial interest in an associate, Y. T. Realty Group Limited ("Y. T. Realty"), a public listed company whose shares are traded on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal investment properties held by Y. T. Realty include Century Square and Prestige Tower, both situate in the core of Central District and Tsimshatsui respectively.

Notwithstanding uncertainties in the global economy weighed on market sentiment, the commercial leasing of Hong Kong grew tremendously and the demand for office or retail space in prime location was particularly strong for the year. It was mainly attributable to the increasing number of Mainland tourists visiting Hong Kong with their habitual lavish spending and thereby attracted many international luxury brands to set up or expand their flagship stores or offices in Hong Kong which pushed up the market rent substantially. As Y. T. Realty had renovated its investment properties in prior years with beauty facades to meet the trend of lifestyle hub, it successfully attracted more quality tenants at favorable rent for the year.

The investment properties of Y. T. Realty recorded a gross rental income of HK$149.9 million for the year, representing a growth of 9.9% over the last corresponding year. It was attributable to the increase in rental rates of the investment properties upon tenancy renewal or new tenancies. The investment properties of Y. T. Realty were revalued by an independent professional valuer and recorded a fair value gain of HK$301.1 million as at 31 December 2011 (2010: HK$367.7 million). The net profit after tax and non-controlling interests of Y. T. Realty was HK$430.8 million for the year, representing a decrease of 29.0% from the last corresponding year.

Chairman's Statement and Management Discussion and Analysis

Infrastructure Business

The infrastructure business of the Group, comprising investments in tunnels, transports and logistic operations, is carried out through The Cross-Harbour (Holdings) Limited ("Cross-Harbour"), whose shares are traded on the main board of the Stock Exchange. Cross-Harbour currently holds 50% equity interests in Western Harbour Tunnel Company Limited and 39.5% equity interests in Tate's Cairn Tunnel Company Limited, both of which persistently generated stable stream of toll income.

Although Hong Kong's economic growth was affected by European sovereign debt crisis since the second half of the year, the overall domestic consumption remained strong. As the labor market improved and income rose, consumption has been the main engine of economic growth in Hong Kong during the year. Therefore, the average daily throughput of tunnels continued to grow for the year and the steady growth of toll revenue of tunnel operations has provided strong support to the operating profits as well as the cash flow of Cross-Harbour.

The net profit after tax and non-controlling interests of Cross-Harbour for the year was HK$238.5 million, representing a decrease of 33.5% from the last corresponding year. It was mainly attributable to an unrealized fair value loss on treasury investment which offset the satisfactory performance of the tunnel operations for the year.

Treasury Investment

During the second half of the year, European sovereign debt crisis further spread to the core of Euro zone. The local stock market was significantly shocked to fluctuate with huge volatility and investors' confidence was heavily undermined.

Notwithstanding the Group took measures to diversify its securities portfolio cautiously, the Group's treasury investment for the year was inevitably impacted to record a substantial unrealized loss which included an unrealized fair value loss of HK$169.6 million on the revaluation of short-term securities investment as well as an unrealized impairment of HK$548.8 million on the long-term available-for-sale investment pursuant to the current applicable accounting and reporting standard in Hong Kong.

OUTLOOK

The global economy in 2012 will be facing great uncertainties as European sovereign debt crisis and China's economic slowdown has clouded the market prospects. With the implementation of austerity measures in many European countries, it is certain that Euro-zone economy will enter into a recession. The breadth and depth of Euro-zone recession will be ultimately determined by the progress on EU's crisis resolutions. The OECD has therefore revised its global economy growth estimation downward. In addition, U.S. economic recovery is also fragile. Even if the Federal Reserve launched quantitative easing to provide ample liquidity and extended the period of exceptionally low interest rate, U.S. economic recovery still have a long way to go, which is detrimental to the export sectors and economic growth of Mainland China and Hong Kong.

The economy of China will be facing a risk of economic slowdown or even worse, a hard-landing in 2012. Although consumption remains stable, slowing exports and investments have already signaled heightened risks of economic slowdown. However, there are signs that inflation will further slide in 2012 and China is expected to have ample rooms for policy adjustment, such as lowering reserve requirement ratios to stimulate the growth of economy. The stabilization of economic growth will be one of the major focus of the Central Government in 2012 and therefore, the Mainland China may implement more proactive fiscal policies and stable monetary policies.

Chairman's Statement and Management Discussion and Analysis

Amidst the weak global economic environment, the external-oriented Hong Kong economy in 2012 will face more challenges and uncertainties such as lingering of European sovereign debt crisis, the potential default risk of Greece's debt leading to the breakup of Euro-zone, and the geopolitical crisis in the Middle East etc. The external demand of Hong Kong will fall further as the global economies will remain weak and the stock market may be more volatile in response to increasing uncertainties in the global financial market. The Group is cautious with its operating performance in 2012 as it is likely to be fluctuated in line with the performance of the financial market both in terms of direction as well as the magnitude it moves.

FINANCIAL REVIEW

Revenue

The Group recorded negative revenue of HK$26.5 million for the year. It was mainly attributable to a loss of HK$29.6 million on disposal of listed equity investments for the year.

Net Asset Value

The consolidated net asset value of the Group as at 31 December 2011 was HK$2,028.5 million, representing a decrease of HK$456.4 million or 18.4%. The consolidated net asset value per share of the Group as at 31 December 2011 was HK$0.218. The Group's total assets and total liability were HK$2,194.4 million and HK$165.9 million respectively.

Capital Structure

The Group's capital expenditure and investments were mainly funded from cash on hand, internal cash generation and bank borrowings.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in U.S. dollars and Hong Kong dollars. The Group does not use any financial instruments for hedging purpose.

Liquidity and Financial Resources

As at 31 December 2011, the cash and cash equivalents of the Group were HK$12.0 million whereas the cash and listed equity investment in aggregate were HK$173.9 million. The current ratio of the Group decreased to 1.2 as the market value of listed equity investments diminished significantly.

As at 31 December 2011, the Group had short term revolving bank borrowings of HK$115.0 million that were wholly denominated in Hong Kong dollars and unutilized short-term banking facilities of approximately HK$147.0 million.

Gearing Ratio

As at 31 December 2011, the gearing ratio of the Group, measured by dividing the net debt to shareholders' equity, was 6.1%. Net debt was interest-bearing bank borrowings, other payables and accruals, net of cash and cash equivalents.

Contingent Liabilities

The Group did not have any material contingent liabilities as at 31 December 2011.

Chairman's Statement and Management Discussion and Analysis

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's major source of income, expenses, major assets and bank deposits were denominated in Hong Kong dollars and U.S. dollars. The Group had certain securities investments denominated in foreign currencies which represented only 2.9% of the Group's net asset value. The Group's exposure to fluctuations in exchange rates is therefore minimal and the Group did not have any related hedging instruments.

Charges on Group Assets

As at 31 December 2011, the Group pledged its leasehold and investment properties with an aggregate carrying value of approximately HK$69.2 million and time deposits of approximately HK$9.4 million as securities for general banking facilities granted to the Group.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

The Group persistently holds two significant investments for long term, namely an investment in an associate, Y. T. Realty and an available-for-sale investment in C C Land Holdings Limited ("C C Land"), the shares of which are listed on the main board of the Stock Exchange.

As at 31 December 2011, the fair value of C C Land was HK$366.1 million (2010: HK$666.1 million), representing a fair value loss of HK$300.0 million for the year. This amount of fair value loss, together with the prior year's cumulative loss of HK$248.8 million, were reclassified to the consolidated income statement as an impairment loss due to the significant and prolonged decline in the share price of C C Land. The impairment loss was considered to be an exceptional item and did not have any effect on the Group's cash flow. The Group received a dividend income of HK$10.2 million from C C Land for the year (2010: HK$7.6 million).

The carrying value of Y. T. Realty was HK$1,543.5 million as at 31 December 2011. The net profit after tax and non-controlling interests of Y. T. Realty for the year was HK$430.8 million (2010 as restated: HK$606.8 million) and the Group's share of profit was HK$147.1 million (2010 as restated: HK$207.2 million).

Save as disclosed above, there were no significant investments held, nor material acquisitions or disposals of subsidiaries during the year. There was no plan for material investments or acquisition of material capital assets as at the date of this annual report.

Comment on Segment Information

There were no material changes to the business segments of the Group for the year under review. Recent developments and prospects of the Group's segments were discussed in the Business Review and Outlook sections of the Management Discussion and Analysis. The segment information and operating results were set out in note 4 of the Notes to Financial Statements in this annual report.

Save as disclosed herein, there were no significant changes in the market conditions, new products and services introduced that had significantly affected the Group's performance.

Chairman's Statement and Management Discussion and Analysis

OTHER INFORMATION

Human Resources Practices

The Group employed a total of 44 staffs as at 31 December 2011.

The Group's remuneration policy is to ensure fair and competitive packages based on business needs and industry practice. The Company aims to provide incentives to Directors, senior management and employees to perform at their highest levels as well as to attract, retain and motivate the very best people. Remuneration will be determined by taking into consideration factors such as inflation, economic situation and salaries paid by comparable companies. In addition, performance-based assessment such as individual's potential and contribution to the Group, time commitment and responsibilities undertaken will also be considered.

The Group also provides other staff benefits such as MPF, medical insurance and discretionary training subsidy. The Company also operates a discretionary share option scheme to motivate the performance of employees.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2011.

APPRECIATION

On behalf of the Board, I would like to extend our gratitude and sincere appreciation to management and all staff for their diligence and dedication throughout the year.

Cheung Chung Kiu
Chairman

Hong Kong, 28th March 2012

Corporate Governance Report

Dear shareholders

On behalf of the board ("Board") of directors ("Directors") of Yugang international Limited (the "Company"), I am pleased to present the Corporate Governance Report which illustrates the corporate governance practices of the Company during the financial year of 2011.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining an ongoing enhancement of effective and efficient corporate governance practices. The Board recognizes that good corporate governance practices are essential in bringing up the success of the Company and balancing the interests of shareholders, investors and employees.

Throughout the accounting period covered by the annual report, the Company complied with all the code provisions ("Code Provisions") set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") .

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules and its amendments from time to time as its own code of conduct regarding securities transaction by Directors. The Company uses various communication channels to promptly inform Directors on any updates on the Model Code released by the Stock Exchange, and reminds Directors to adhere to the Model Code accordingly.

Following specific enquiry by the Company, each Director confirmed that throughout the year of the accounting period covered by the annual report, they complied with the required standard set out in the Model Code.

The Company has also adopted the code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standards set out in the Model Code.

THE BOARD

A. Board Composition

The Company is headed by an effective Board which collectively responsible for promoting the success of the Company, as well as well-balanced the long-term interest of shareholders and stakeholders.

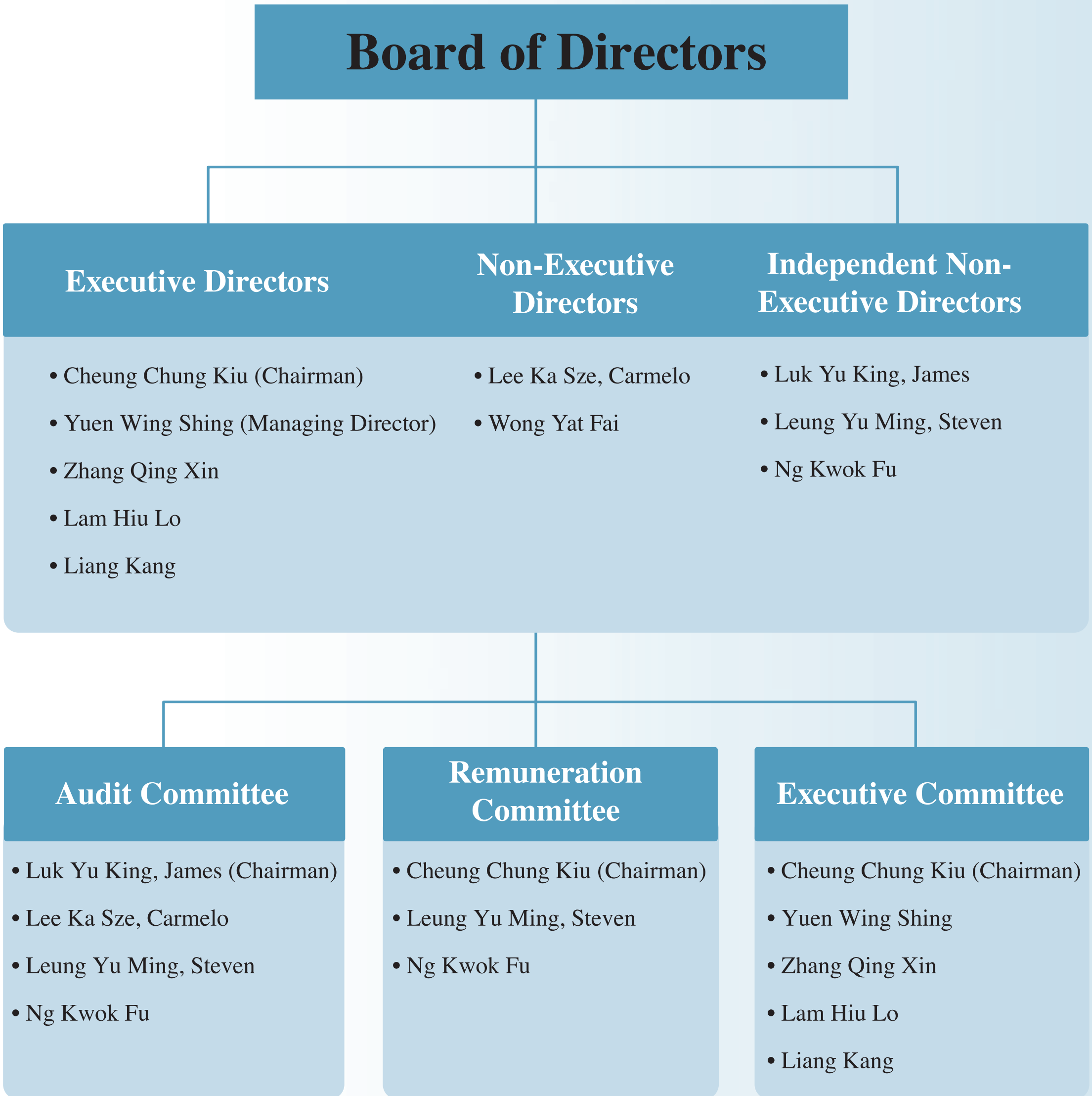
The Board currently comprises ten Directors, of whom five are executive Directors, two are non-executive Directors and three are independent non-executive Directors. Such balanced composition of executive and non-executive Directors ensures a strong independent element on the Board, and provides adequate check and balance to safeguarding the interest of shareholders and the Company as a whole. All Directors have a balance of skills and experience appropriate for the requirement of the business of the Company. They are experienced personnel with academic and professional qualifications in accounting, legal and business management and at least one of whom has appropriate professional qualification of accounting or related financial management expertise.

Mr. Zhang Qing Xin, an executive Director, is the father of the chairman, Mr. Cheung Chung Kiu.

Corporate Governance Report

The list of Directors and their biographical details including relationship with members of the Board, senior management and substantial shareholders are set out in the section headed "Profiles of Directors" of the annual report.

The following chart illustrates the current Board composition including Board Committees:



Corporate Governance Report

B. Chairman and Managing Director

The role of chairman and Managing Director are separately assumed and performed by Mr. Cheung Chung Kiu and Mr. Yuen Wing Shing respectively and their responsibilities are clearly identified and segregated.

Mr. Cheung Chung Kiu, being appointed the chairman of the Board in 1993, provides leadership for and overseeing the functioning of the Board. He is mainly accountable for sketching of business development plans, and formulating overall strategies, objectives and policies of the Company. In addition, the chairman is responsible for ensuring Directors are properly briefed on issues arising at Board meetings and that the Directors receive complete, reliable and adequate information in a timely manner.

Mr. Yuen Wing Shing was appointed Managing Director of the Company in 2005 who takes the role of CEO as described in Appendix 14 to the Listing Rules. The primary role of CEO is to provide leadership for the implementation of the Company's objectives, policies and strategies; responsible for the day-to-day management of the Company; setting up budgets; monitoring performance of management and effectiveness of the Company; and establishing and maintaining proper internal control system of the Group.

C. Independent Non-executive Directors ("INED")

In accordance with Rule 3.10 of the Listing Rules, Mr. Luk Yu King, James, Mr. Leung Yu Ming, Steven and Mr. Ng Kwok Fu are appointed the INEDs of the Company, at least one of whom has appropriate professional qualifications or accounting or related financial management expertise.

The Company has obtained written confirmation of independence from all INEDs pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs have met the standard set out in the guidelines under the Listing Rules and in particular, they are all independent within the meaning in the said guidelines.

D. Responsibilities of Directors

Every Director is required to keep abreast of his responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. In-house briefings will be given by qualified professionals at Board meetings on regulatory updates.

Every newly appointed Director will receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently further briefings and professional development will be arranged if necessary, to ensure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities under statute and common law, the Listing Rules and all other applicable regulations and governance.

The functions of non-executive Directors have included the functions specified in Code Provision A.5.2 (a) to (d) of the Listing Rules.

Every Director is aware of his obligation to give sufficient time and attention to the affairs of the Company and should not accept the appointment if he cannot do so. Every Director has satisfactory attendance rates at both Board meetings and committee meetings.

Corporate Governance Report

E. Board Meetings

The Board members meet regularly to review and discuss the overall strategy, operational and financial performance of the Company. Normally four regular meetings of the full Board will be held at quarterly intervals and special ad hoc Board meetings will be convened when necessary to deal with everyday matters which require the Board's prompt decision, and are usually attended to by executive Directors only.

During the year of 2011, the Board held four regular Board meetings and the attendance record of individual Director is set out as follows:

	Attended/Held	Percentage
Executive Directors		
Mr. Cheung Chung Kiu	4/4	100%
Mr. Yuen Wing Shing	4/4	100%
Mr. Zhang Qing Xin	4/4	100%
Mr. Lam Hiu Lo	4/4	100%
Mr. Liang Kang	4/4	100%
Non-executive Directors		
Mr. Lee Ka Sze, Carmelo	3/4	75%
Mr. Wong Yat Fai	4/4	100%
Independent Non-executive Directors		
Mr. Luk Yu King, James	4/4	100%
Mr. Leung Yu Ming, Steven	4/4	100%
Mr. Ng Kwok Fu	4/4	100%

F. Supply of and Access to Information

The Board works effectively and Directors are provided with appropriate and adequate information in a timely manner which enables them to make an informed decision and to discharge their duties and responsibilities as Directors to the Company.

In addition, notice of Board meetings together with the proposed agenda will be given to all Directors at least 14 days before each Board meeting and Directors are given an opportunity to include matters in the agenda. Agendas and accompanying Board papers will be provided to Directors not less than three days before the Board meeting.

Minutes of Board/Board Committee meetings with details of matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed, after circulation for comments by Directors, are kept by the company secretary and are open for inspection by Directors.

All Directors have access to the advices and services of the company secretary to ensure necessary Board procedures and all applicable rules and regulations are followed. All Directors are regularly updated on governance and regulatory matters. Directors, upon reasonable request, have access to independent professional advice in appropriate circumstances at the Company's expenses.

The Company has arranged appropriate insurance cover in respect of legal action against Directors.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of circulation or by a committee (except for an appropriate Board committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a Board meeting will be held. INED who, and whose associates, have no material interest in the transaction will be present at such Board meeting.

Corporate Governance Report

G. Appointments, Re-election and Removal of Directors

The Company adopts a formal, considered and transparent procedure for the appointment of new Directors to the Board and has plans in place for orderly succession for appointments to the Board. Pursuant to bye-laws of the Company ("Bye-laws"), all non-executive Directors are appointed for a specific term of not more than three years expiring at the conclusion of the annual general meeting of the Company to be held in the third year following the year of appointment. All Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every Director, including those appointed for a specific term, is required to retire by rotation once every three years and that one-third of Directors for the time being (or, if the number is not a multiple of three, the nearest to but not less than one-third) shall retire from office by rotation. Retiring Directors shall be eligible for re-election at the annual general meeting of the Company.

The Board is collectively responsible for nominating and appointing new Directors either to fill casual vacancies or as an addition to the Board, subject to re-election by shareholders of the Company at the first general meeting after their appointment. All Directors submitted for election or re-election have been accompanied by relevant biographical details (including other directorships held in listed public companies in the last three years and other major appointments) to enable shareholders to make an informed decision on their election. If the Board considers there is a need to nominate a candidate to fill a casual vacancy or as an addition to the Board, Directors will be notified, and they will be entitled to nominate candidates. After receiving such nomination and the relevant resume of the nominee, the Board will review the nomination and consideration would be given, amongst other things, to the nominee's qualification, experience and ability relevant to the Company's business. A Board meeting will then be held to discuss the nomination and approve the appointment. It is believed that all members of the Board would collectively have the required knowledge and skills in identifying, recruiting and evaluating new nominee to the Board.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has adopted a formal and transparent procedure for setting policy on executive Directors' remuneration and for fixing the remuneration packages for all Directors.

The Company has established a remuneration committee on 30 June 2005 with specific written terms of reference which deal clearly with its authority and duties, particularly including specific duties set out in Code Provision B.1.3 of the Listing Rules, with appropriate modifications when necessary. A majority of members of the committee are INED. Mr. Cheung Chung Kiu chairs the committee, with other members include Mr. Leung Yu Ming, Steven and Mr. Ng Kwok Fu, both are INEDs of the Company.

The remuneration committee will consult Managing Director about their proposals relating to the remuneration of other executive Directors and have access to professional advice if considered necessary. It is responsible to review and make recommendations to the Board on remuneration policy of the Company; and review on the remuneration packages of executive Directors, non-executive Directors and senior management of the Company. The remuneration committee has been provided with sufficient resources to discharge its duties.

The Company's remuneration policy is to ensure fair and competitive packages based on business needs and industry practice. The Company aims to provide incentives to Directors, senior management and employees to perform at their highest levels as well as to attract, retain and motivate the very best people. Remuneration will be determined by taking into consideration factors such as market and economic situation, inflation, employment conditions elsewhere in the Group and salaries paid by comparable companies. In addition, performance-based assessment such as individual's potential and contribution to the Group, time commitment and responsibilities undertaken will all be considered. The remuneration committee also ensures that no individual Directors are involved in deciding their own remuneration.

Corporate Governance Report

The remuneration committee has convened one meeting during the financial year of 2011 in order to review the Company's remuneration policy and consider the annual salary review of 2012. The attendance of individual members at the meeting is as follows:

Name	Attended/Held	Percentage
Mr. Cheung Chung Kiu	1/1	100%
Mr. Leung Yu Ming, Steven	1/1	100%
Mr. Ng Kwok Fu	1/1	100%

ACCOUNTABILITY AND AUDIT

A. Directors' Responsibility for Financial Reporting

The Board is responsible for the integrity of financial information of the Company whilst management shall provide explanation and information to the Board to enable them to make an informed assessment of the financial and other information put before the Board for approval.

The Board acknowledges the responsibility to present a balanced, clear and understandable assessment to annual and interim reports, price-sensitive announcements and other financial disclosures as required under the Listing Rules, reports to regulators as well as information required to be disclosed pursuant to statutory requirements. All Directors acknowledge their responsibilities for preparing the accounts and financial statements for each financial period in accordance with statutory requirements and applicable accounting standards so as to give a true and fair view of the state of affairs of the Company. The Directors also ensure the timely publication of the financial statements of the Group.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable and necessary enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

B. Auditors' Statement

Messrs. Ernst and Young, the auditors of the Company acknowledge their reporting responsibilities in the Independent Auditors' Report on pages 28 to 29 of the annual report.

Corporate Governance Report

C. Internal Control

The Board acknowledges the responsibilities of establishing, maintaining and operating a sound and effective internal control system to safeguard shareholders' investment and the Company's assets. The Group's internal control system comprises a well-established organizational structure and comprehensive policies and procedures, aims to identify and manage risks that could adversely hinder the achievement of the business objectives of the Company, provide reasonable, albeit not absolute, assurance against failure in operational system, material error, loss or fraud to the Company.

An annual review on the effectiveness of the internal control system of the Group had been conducted by the Board and reviewed by the audit committee, covering all material controls, including financial, operational and compliance control and risk management functions. The annual review had, in particular, considered the adequacy of resources, qualifications and experience of the accounting staff and their training programmes, as well as the effectiveness of the financial reporting functions and budgets.

The Board is of the view that, the internal control system of the Group for the year under review and up to the date of issuance of the annual report, is sound and sufficient to safeguarding the interests of shareholders and assets of the Company. There were no suspected frauds, material error, misstatement and irregularities, nor infringement of applicable laws, rules and regulations that had come to the Board's attention.

D. Audit Committee

The Company has established an audit committee on 30 June 2005 with specific written terms of reference which deal clearly with its authority and duties, particularly including specific duties set out in Code Provision C.3.3 of the Listing Rules, with appropriate modifications when necessary.

The audit committee is chaired by Mr. Luk Yu King, James, with other members including Mr. Lee Ka Sze, Carmelo, Mr. Leung Yu Ming, Steven and Mr. Ng Kwok Fu, comprising a majority of INEDs with diversified industry experience, particularly in accounting, legal, commercial and management sectors. The chairman has appropriate professional qualifications and experiences in accounting matters.

The audit committee has been provided with sufficient resources to discharge its duties. During the year under review, the audit committee has reviewed, with management and external auditors, the accounting principles and policies adopted by the Company; the financial statements for the year ended 31 December 2011 and the six-month ended 30 June, 2011; and has discussed auditing, internal control and financial reporting matters of the Company.

The works and duties performed by the audit committee during the year of 2011 can be summarised as follows:

1. to monitor the integrity of financial statements of the Group, the comprehensiveness of the Company's annual report and interim report;

2. to review the group's financial and accounting policies and practices, and make recommendations to the Board for the adoption of the new or amended Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards;

3. to review the Group's internal control system;

4. to make recommendations to the Board regarding the re-appointment of the Company's external auditors, their remuneration and terms of engagement; and

5. to review and monitor the auditors' independence and objectivity and effectiveness of the audit process.

Corporate Governance Report

The audit committee meets regularly since its establishment and three meetings were held in 2011. Full minutes of audit committee meetings were kept by the company secretary. Draft and final version of minutes of the audit committee meetings were sent to all members of the committee for comments and records within a reasonable time. Details of the members' attendance at the audit committee meetings held in 2011 are as follows:

Name	Attended/Held	Percentage
Mr. Luk Yu King, James	3/3	100%
Mr. Lee Ka Sze, Carmelo	3/3	100%
Mr. Leung Yu Ming, Steven	3/3	100%
Mr. Ng Kwok Fu	3/3	100%

E. Auditors' Remuneration

During the year under review, the remuneration paid/payable to the Company's auditors, Messrs. Ernst & Young is as follows:

Services rendered	Fees paid/payable *(HK$)*
Audit fee	1,228,000
Non-audit Fee *(Note)*	338,300
Total:	1,566,300

Note: non-audit fee includes an interim result advisory fee of HK$216,000 and tax compliance service fee of HK$122,300.

DELEGATION BY THE BOARD

A. Management Functions

The Board steers the Company's business direction. The day-to-day management, administration and operation of the Company have been delegated to management via various committees. Matters reserve to be decided by the Board including the formulation of long-term corporate strategy, setting business development plans, supervising and monitoring performance of management; reviewing the effectiveness of the system of internal control including financial, operational, compliance and risk management function; responsible for the appointment, removal or re-appointment of Directors, senior management and auditors, and determining the remuneration of Directors and senior management based on the recommendations of the remuneration committee.

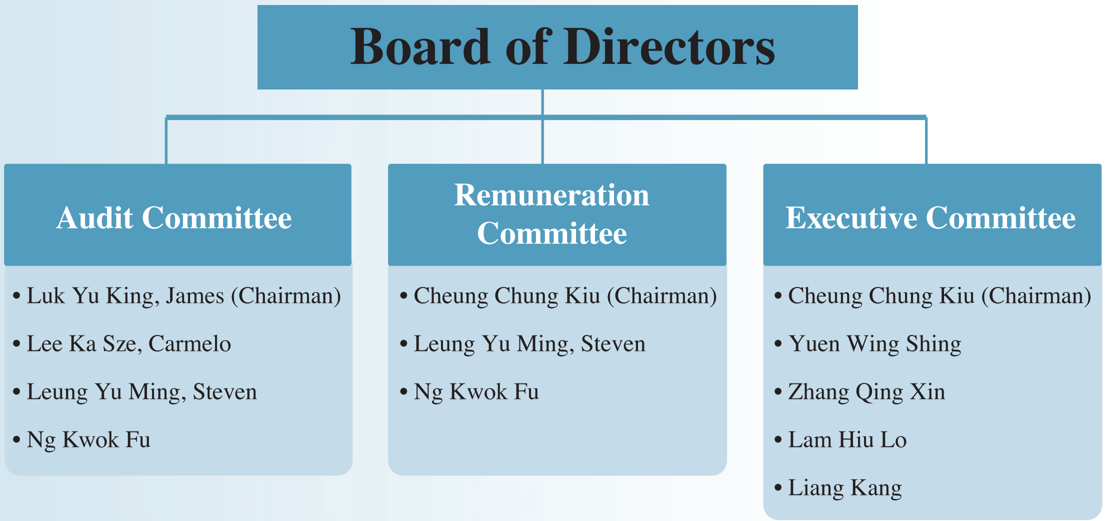
Directions as to the powers delegated to management are clearly identified, in particular, with respect to circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. In addition, periodical reviews will be conducted by the Board to ensure delegated tasks are appropriately performed.

Corporate Governance Report

B. Board Committees

The Board has established three Board committees to deal with matters, and specific written terms of reference were clearly set out to deal with the committees' authorities and duties. Board committees are required, unless restricted by laws and regulations, to report back to the Board on their decisions or recommendations on a regular basis.

The following chart illustrates the current Board Committees:



i) Remuneration Committee

Remuneration committee, comprising a majority of INEDs, was established on 30 June 2005. Particulars are disclosed under the section headed "REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT" on page 12 of the annual report.

ii) Audit Committee

Audit committee, comprising a majority of INEDs, was established on 30 June 2005. Particulars are disclosed under the section headed "AUDIT COMMITTEE" on page 14 of the annual report.

iii) Executive Committee

Executive committee, which is responsible for the day-to-day management, administration and operation of the Company, was established on 31 December 2004. The committee comprises all executive Directors and is chaired by the chairman of the Board.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

The Board endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

At the annual general meeting held on 17 May 2011, a separate resolution was proposed by the chairman in respect of each substantially separate issue. The chairman of the Board and the chairman of the audit and remuneration committees attended to answer questions of shareholders. The notice of 2011 annual general meeting was sent to shareholders on 12 April 2011. Pursuant to Code Provision E.1.3, the notice of 2012 annual general meeting will be sent to shareholders on 17 April 2012, at least 20 clear business days before the meeting.

Poll voting has been used for passing all resolutions at annual general meetings since 29 April 2005. Details of the poll voting procedures are clearly explained at the meetings.

On behalf of the Board

Yuen Wing Shing
Managing Director

Hong Kong, 28th March 2012

Report of Directors

The Board of Yugang International Limited has pleasure in presenting the report together with the audited financial statements of the Company and the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries and principal associates are set out in notes 17 and 18 of the Notes to Financial Statements respectively.

There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS

The results of the group for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 30 to 89.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011. No interim dividend was declared for the financial years of 2011 and 2010. In respect of the preceding year, a final dividend of HK$0.002 per share was paid.

RESERVES

Particulars of movement in the reserves of the Company and the Group during the year are set out in note 29 of the Notes to Financial Statements and the Consolidated Statement of Changes in Equity respectively.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2011, calculated in accordance with The Companies Act 1981 of Bermuda (as amended from time to time), amounted to HK$847,106,000 (2010: HK$869,191,000), none of which (2010: HK$18,611,000) was proposed as final dividend for the year. In addition, the Company's share premium account, in the amount of HK$907,280,000 (2010: HK$907,280,000), may be distributed in the form of fully paid bonus shares.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2011 are set out in note 26 of the Notes to Financial Statements.

SEGMENT INFORMATION

An analysis of the segment performance of the Group for the year ended 31 December 2011 is set out in note 4 of the Notes to Financial Statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 90. This summary does not form part of the audited financial statements.

Report of Directors

PROPERTY, EQUIPMENT AND INVESTMENT PROPERTIES

Particulars of the property, equipment and investment properties of the Group during the year are set out in notes 15 and 16 of the Notes to Financial Statements respectively.

SHARE CAPITAL

Particulars of the Company's share capital during the year are set out in note 28 of the Notes to Financial Statements.

PRE-EMPTIVE RIGHTS

There are no pre-emptive rights provisions in Bermuda Companies Act 1981 (as amended from time to time) or the Bye-laws of the Company.

DONATIONS

The charitable and other donations made by the Group during the year amounted to HK$300,000 (2010: HK$333,000).

DIRECTORS

Directors of the Company during the year and up to the date of this report are:

Executive Directors:

Mr. Cheung Chung Kiu *(Chairman)*
Mr. Yuen Wing Shing *(Managing Director)*
Mr. Zhang Qing Xin
Mr. Lam Hiu Lo
Mr. Liang Kang

Non-executive Directors:

Mr. Lee Ka Sze, Carmelo
Mr. Wong Yat Fai

Independent non-executive Directors:

Mr. Luk Yu King, James
Mr. Leung Yu Ming, Steven
Mr. Ng Kwok Fu

Pursuant to Bye-law 87 of the Bye-laws, Mr. Zhang Qing Xin, Mr. Liang Kang, Mr. Lee Ka Sze, Carmelo and Mr. Leung Yu Ming, Steven will retire by rotation at the conclusion of the annual general meeting to be held on 18 May 2012, and being eligible, Mr. Zhang Qing Xin and Mr. Liang Kang will offer themselves for re-election as executive Directors, Mr. Lee Ka Sze, Carmelo will offer himself for re-election as non-executive Director and Mr. Leung Yu Ming, Steven will offer himself for re-election as independent non-executive Director. Biographical details of Directors proposed for re-election are set out in the circular to shareholders sent together with the annual report.

Report of Directors

In accordance with Bye-laws, each non-executive Director will be appointed for a specific term of not more than three years, subject to retirement by rotation at least once every three years.

None of Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

The Company has received an annual written confirmation of independence from each of the independent non-executive Director pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors have met the standards set out in the guidelines under the Listing Rules.

BIOGRAPHICAL DETAILS OF DIRECTORS

The biographical details of Directors are set out in section headed "Profiles of Directors" on pages 26 to 27 of the annual report.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Particulars of Directors' emoluments and the five highest paid individuals of the Group are set out in notes 9 to 10 of the Notes to Financial Statements respectively.

MANAGEMENT CONTRACTS

There was no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance in relation to the Company's business to which the Company or any of its holding companies or any of its 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, none of Directors and their associates had any interest in business which competed or was likely to compete, directly or indirectly, with the principal business of the Group.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1)

The Company has not been advised by Directors of any changes in the information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules from time to time since its last interim report.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2011, the Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards. Details of these transactions are disclosed in note 34 of the Notes to Financial Statements.

Report of Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2011, the interests and short positions of Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Long positions in shares of the Company:

Name of Director	Nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Mr. Cheung Chung Kiu	Corporate *(note 1)*	4,046,389,740	43.49
	Personal	53,320,000	0.57
Mr. Zhang Qing Xin	Personal	13,600,000	0.15
Mr. Lam Hiu Lo	Personal	41,800,000	0.45
Mr. Liang Kang	Personal	30,000,000	0.32

(ii) Long positions in shares of associated corporations:

Name of Director	Name of associated corporation	Relationship with the Company	Shares	Nature of interest	Number of shares held	Percentage of the associated corporation's issued share capital
Mr. Cheung Chung Kiu	Y.T. Realty Group Limited	Associate	Ordinary shares	Corporate *(note 2)*	273,000,000	34.14
Mr. Ng Kwok Fu	Y.T. Realty Group Limited	Associate	Ordinary shares	Personal and family	90,000	0.01

Notes:

(1) Out of the 4,046,389,740 shares, 3,194,434,684 shares are held by Chongqing Industrial Limited ("Chongqing") and 851,955,056 shares are held by Timmex Investment Limited ("Timmex").

Mr. Cheung Chung Kiu, Peking Palace Limited, Miraculous Services Limited and Prize Winner Limited have 35%, 30%, 5% and 30% equity interests in Chongqing respectively.

Peking Palace Limited and Miraculous Services Limited are beneficially owned by Palin Discretionary Trust, a family discretionary trust, the objects include Mr. Cheung Chung Kiu and his family.

Prize Winner Limited is beneficially owned by Mr. Cheung Chung Kiu and his associates.

Timmex is 100% beneficially owned by Mr. Cheung Chung Kiu.

(2) The 273,000,000 shares were held by Funrise Limited which is indirectly controlled by Palin Holdings Limited as trustee for Palin Discretionary Trust, a family discretionary trust, the objects include Mr. Cheung Chung Kiu and his family.

Save as disclosed above, as at 31 December 2011, none of Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations as recorded in the register pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of Directors

SHARE OPTIONS

The share option scheme of the Company (the "Share Option Scheme") was adopted on 29 April 2005, the terms of which were in line with and complied with the requirements of Chapter 17 of the Listing Rules.

No option was granted under the Share Option Scheme during the year and no option was outstanding as at 31 December 2011.

The particulars in relation to the Share Option Scheme that are required to be disclosed under Rules 17.07 to 17.09 of the Listing Rules are set out below:

(1) Purpose of the Share Option Scheme	To provide incentives and rewards to eligible participants for their contributions to the Group and enable the Group to retain existing employees and recruit additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Group.
(2) Participants of the Share Option Scheme	It includes directors, officers and employees of the Eligible Group and any executives, officers or employees of any business consultants, professional and other advisers of any members of the Eligible Group. The Eligible Group includes: (i) the Company and each of its substantial shareholders; (ii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of the Company or of substantial shareholders referred to in (i) above; (iii) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (ii) above; and (iv) each associate or substantial shareholder or direct or indirect associated company or jointly-controlled entity of any of the foregoing entities referred to in (iii) above.
(3) The total number of securities available for issue under the Share Option Scheme together with the percentage of the issued share capital as at the date of the annual report	930,527,675 ordinary shares and 10.0% of the existing issued share capital.

Report of Directors

(4) The maximum entitlement of each participant under the Share Option Scheme	Where any grant or further grant of options to a participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders of the Company in a general meeting. In addition, any share options granted to a substantial shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.
(5) The period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by Directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the Share Option Scheme.
(6) The minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by Directors.
(7) Amount payable on acceptance of the option and the period within which such payment must be made	The offer of a grant of share options may be accepted with a consideration of HK$1 being payable by the grantee.
(8) The basis of determining the exercise price	The exercise price is determined by Directors and shall be at least the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of grant of options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of grant of options; and (iii) the nominal value of the Company's shares.
(9) The remaining life of the Share Option Scheme	The Share Option Scheme remains in force until 28 April 2015.

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

Report of Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests" and "Share Options" above, at no time during the year was the Company, or any of its subsidiaries or its holding company, a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any body corporate, and none of Directors, or any of their associates, had any rights to subscribe for shares of the Company, or had exercised any such rights during the year.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011, the following persons had interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Timmex Investment Limited	1	Corporate	851,955,056	9.16
Chongqing Industrial Limited	2	Corporate	3,194,434,684	34.33
Palin Holdings Limited	3	Trustee of a Family Trust	3,194,434,684	34.33
Mr. Cheung Chung Kiu	4	Corporate and personal	4,099,709,740	44.06

Notes:

(1) Timmex is 100% beneficially owned by Mr. Cheung Chung Kiu.

(2) The voting rights of these shares are exercisable by Chongqing, which is controlled by Mr. Cheung Chung Kiu.

(3) Palin Holdings Limited is the trustee of Palin Discretionary Trust, a family discretionary trust, the objects include Mr. Cheung Chung Kiu and his family.

(4) Out of the 4,099,709,740 shares, 3,194,434,684 shares and 851,955,056 shares are held by Chongqing and Timmex respectively and 53,320,000 shares are held by Mr. Cheung Chung Kiu personally.

Save as disclosed above, as at 31 December 2011, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company that were required to be recorded in the register kept by the Company under Section 336 of the SFO.

MAJOR CUSTOMERS AND SUPPLIERS

In 2011, sales to the Group's five largest customers accounted for 100% of the total sales for the year whereas sales to the largest customer included therein amounted to 100%. There was no purchase of suppliers by the Group during the year.

Neither Directors and their associates, or any shareholders who, to the knowledge of Directors, own more than 5% of the Company's share capital, had any interest in any of the five largest customers.

Report of Directors

MANDATORY PROVIDENT FUND

Particulars of the Company's MPF scheme and the employer's pension scheme contributions are set out in note 2.4 and note 7 of the Notes to Financial Statements on page 56 and 62 respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the listed securities of the Company during the year.

CORPORATE GOVERNANCE

The Company is committed to an on-going enhancement of effective and efficient corporate governance practices. Information on corporate governance practices adopted by the Company is set out in the Corporate Governance Report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

AUDITORS

The financial statements for the year ended 31 December 2011 have been audited by Messrs Ernst & Young, Certified Public Accountants, who will retire at the conclusion of the annual general meeting to be held on 18 May 2012, being eligible, offer themselves for reappointment. A resolution for re-appointment of Messrs. Ernst & Young as auditors of the Company for the ensuing year and to authorize Directors to fix their remuneration will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Yuen Wing Shing
Managing Director

Hong Kong, 28th March 2012

Profiles of Directors

Cheung Chung Kiu, aged 47, was appointed the chairman and an executive Director of the Company in 1993. Mr. Cheung is the chairman and a member of the remuneration committee and an authorised representative of the Company. Mr. Cheung also serves as a director of several subsidiaries of the Company. In addition, Mr. Cheung is the director of Palin Holdings Limited, Chongqing Industrial Limited and Timmex Investment Limited, all are companies disclosed in the section headed "Interests of Substantial Shareholders" on page 24 of the annual report. Mr. Cheung is the founder of the Company and he set up Chongqing Industrial Limited in 1985, a company mainly engaged in trading business in the PRC. Mr. Cheung is also the chairman of Y. T. Realty Group Limited, The Cross-Harbour (Holdings) Limited and C C Land Holdings Limited, all are public companies listed on the Stock Exchange. Further, Mr. Cheung is the son of Mr. Zhang Qing Xin, a Director of the Company.

Yuen Wing Shing, aged 65, was appointed an executive Director in June 1993 and the managing director of the Company on 1st January 2005. He is the authorised representative of the Company and also serves as a director of several subsidiaries of the Company. He is responsible for the Group's administration and business operations. Mr. Yuen holds a diploma in management studies from The Hong Kong Polytechnic University. Prior to joining the Company, he held senior management positions with a major bank in Hong Kong for over 20 years. He is also an executive director of Y. T. Realty Group Limited and The Cross-Harbour (Holdings) Limited, all are public companies listed on the Stock Exchange.

Zhang Qing Xin, aged 75, was appointed an executive Director of the Company in December 1995. Mr. Zhang has over 20 years of experience in import and export trading business. Prior to joining the Company, he was the Deputy General Manager of a foreign trade enterprise for more than 10 years. Mr. Zhang is the director of Chongqing Industrial Limited, the major shareholder of the Company. Further, Mr. Zhang is the father of Mr. Cheung Chung Kiu, the chairman of the Company.

Lam Hiu Lo, aged 50, was appointed an executive Director of the Company in 1993. He also serves as a director of several subsidiaries of the Company. He is mainly responsible for the sales and marketing of the Group's trading business in the PRC. He has over 26 years of experience in trading with PRC parties. He is an executive director of C C Land Holdings Limited, a public company listed on the Stock Exchange.

Liang Kang, aged 69, was appointed an executive Director of the Company in June 1995. He is mainly responsible for the sales and marketing of the Group's trading business in the PRC. Prior to joining the Company, he engaged in the trading business in the PRC for over 16 years.

Lee Ka Sze, Carmelo, aged 51, was appointed an independent non-executive Director of the Company in 1993 and re-designated as a non-executive Director on 30 September 2004. He is also a member of the audit committee. Mr. Lee received his bachelor of laws degree and a postgraduate certificate in laws from The University of Hong Kong. He qualified as a solicitor in Hong Kong, England and Wales, Singapore and Australian Capital Territory, Australia. Mr. Lee is a partner of Messrs. Woo, Kwan, Lee and Lo, Solicitors & Notaries, which firm rendered professional services to the Company. Mr. Lee is a deputy chairman of the Listing Committee of the Stock Exchange, a chairman of the Transport Tribunal of the HKSAR, a member of SFC Dual Filing Advisory Group of Securities and Futures Commission and the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants, a campaign committee member of the Community Chest of Hong Kong and a co-chairman of Corporate Challenge Half Marathon of Community Chest. Mr. Lee is an independent non-executive director of KWG Property Holding Limited and Ping An Insurance (Group) Company of China, Limited, and a non- executive director of Y.T. Realty Group Limited, The Cross-Harbour (Holdings) Limited, China Pharmaceutical Group Limited, Hopewell Holdings Limited, Safety Godown Company, Limited, Termbray Industries International (Holdings) Limited, all are public companies listed on the Stock Exchange.

Profiles of Directors

Wong Yat Fai, aged 52, was appointed an independent non-executive Director of the Company on 30th September 2004 and re-designated as a non-executive Director on 1st October 2007. Mr Wong holds a professional diploma in banking from The Hong Kong Polytechnic University. He has over 13 years of experience working with an international banking group. He is an executive director of ICube Technology Holdings Limited and a non-executive director of Y. T. Realty Group Limited, The Cross-Harbour (Holdings) Limited and C C Land Holdings Limited, all are public companies listed on the Stock Exchange.

Luk Yu King, James, aged 57, was appointed an independent non-executive Director of the Company in September 2007. He is the chairman and a member of the audit committee. Mr Luk graduated from The University of Hong Kong with a bachelor degree in Science. He is a fellow of The Association of Chartered Certified Accountants, an associate of The Hong Kong Institute of Certified Public Accountants and an ordinary member of Hong Kong Securities Institute. Mr. Luk has over ten years of experience in corporate finance, securities and commodities trading business with several international and local financial institutions. Mr Luk is an independent non-executive director of Y. T. Realty Group Limited and The Cross-Harbour (Holdings) Limited, all are public companies listed on the Stock Exchange.

Leung Yu Ming, Steven, aged 52, was appointed an independent non-executive Director of the Company in October 2007. Mr. Leung is a member of the audit committee and remuneration committee. Mr. Leung holds a degree of master in accountancy from Charles Sturt University in Australia and a degree of bachelor of social science from The Chinese University of Hong Kong. Mr. Leung is an associate of The Institute of Chartered Accountants in England and Wales, and a fellow of The Association of Chartered Certified Accountants, The Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong respectively. Mr. Leung is also a practising certified public accountant in Hong Kong and a certified practicing accountant of CPA Australia. Mr. Leung previously worked in Nomura International (Hong Kong) Limited as an Assistant Vice-President in International Finance and Corporate Finance Department. He commenced public practice in auditing and taxation in 1990 and is currently a senior partner of a firm of certified public accountants. Mr. Leung has over 26 years of experience in assurance, accounting, taxation, financial management and corporate finance. Mr. Leung is an independent non-executive director of Suga International Holdings Limited, Y. T. Realty Group Limited, The Cross-Harbour (Holdings) Limited and C C Land Holdings Limited, all are public companies listed on the Stock Exchange.

Ng Kwok Fu, aged 40, was appointed an independent non-executive Director of the Company on 30th September, 2004. Mr. Ng is a member of the audit committee and remuneration committee. Mr. Ng holds a certificate in accounting from Grant MacEwan Community College. Mr. Ng has over 22 years experience in marketing, trading and purchasing of construction materials and providing technical control, support and management in building projects. He is an independent non-executive director of Y. T. Realty Group Limited and The Cross-Harbour (Holdings) Limited, all are public companies listed on the Stock Exchange.

Hong Kong, 28th March 2012

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of Yugang International Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Yugang International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 30 to 89, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Independent Auditors' Report

Opinion

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

Ernst & Young
Certified Public Accountants
22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

28 March 2012

Consolidated Income Statement

Year ended 31 December 2011

	Notes	2011 *HK$'000*	2010 *HK$'000* *(Restated)*
REVENUE	5	**(26,515)**	5,567
Other income and gains	5	**17,687**	68,553
Administrative expenses		**(85,076)**	(88,049)
Other expenses	6	**(173,149)**	(35,456)
Impairment of an available-for-sale investment	21	**(548,835)**	—
Finance costs	8	**(1,610)**	(756)
Share of profits and losses of associates		**147,083**	207,169
PROFIT/(LOSS) BEFORE TAX	7	**(670,415)**	157,028
Income tax	11	**(24)**	(1)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12	**(670,439)**	157,027
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	14		
Basic and diluted		**HK(7.20) cents**	HK1.69 cents

Details of the dividends are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Note	2011 *HK$'000*	2010 *HK$'000* *(Restated)*
PROFIT/(LOSS) FOR THE YEAR		**(670,439)**	157,027
OTHER COMPREHENSIVE INCOME/(LOSS)			
Available-for-sale investments:			
Changes in fair value	21	**(300,010)**	(251,691)
Reclassification adjustment for an impairment loss included in the consolidated income statement	21	**548,835**	—
		248,825	(251,691)
Share of other comprehensive income/(loss) of associates		**(16,155)**	8,080
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**232,670**	(243,611)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(437,769)**	(86,584)

Consolidated Statement of Financial Position

31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property and equipment	15	52,402	53,500	77,284
Investment properties	16	27,600	23,000	18,000
Investments in associates	18	1,543,509	1,420,772	1,212,348
Convertible notes receivable - loan portion	19	6,515	—	6,013
Loans receivable	20	4,000	3,000	—
Available-for-sale investments	21	366,105	668,500	926,603
Other assets		360	360	360
Total non-current assets		2,000,491	2,169,132	2,240,608
CURRENT ASSETS				
Listed equity investments at fair value through profit or loss	22	161,885	326,786	309,051
Convertible notes receivable - loan portion	19	—	21,234	—
Embedded option derivatives	19	3,793	3,858	6,720
Loans receivable	20	1,000	—	1,000
Prepayments, deposits and other receivables	23	5,855	3,626	3,086
Pledged time deposits	24	9,411	9,384	9,341
Time deposits	24	1,797	34,924	1,784
Cash and bank balances	24	10,191	8,131	130,000
Total current assets		193,932	407,943	460,982
CURRENT LIABILITIES				
Other payables and accruals	25	21,325	22,621	21,942
Interest-bearing bank loans	26	115,000	40,000	60,000
Tax payable		29,463	29,463	29,463
Total current liabilities		165,788	92,084	111,405
NET CURRENT ASSETS		28,144	315,859	349,577
TOTAL ASSETS LESS CURRENT LIABILITIES		2,028,635	2,484,991	2,590,185
NON-CURRENT LIABILITIES				
Deferred tax liabilities	27	167	143	142
Net assets		2,028,468	2,484,848	2,590,043

Consolidated Statement of Financial Position *(continued)*

31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
EQUITY				
Equity attributable to equity holders of the Company				
Issued capital	28	93,053	93,053	93,053
Reserves	29(a)	1,935,415	2,391,795	2,496,990
Total equity		2,028,468	2,484,848	2,590,043

Cheung Chung Kiu
Director

Yuen Wing Shing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

		Attributable to equity holders of the Company						
	Note	Issued capital	Share premium account	Contributed surplus	Available-for-sale investment revaluation reserve	Other reserves	Retained profits	Total equity
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2010								
As previously reported		93,053	907,280	760,799	2,866	(5,919)	780,441	2,538,520
Effect of early adoption of Amendments to HKAS 12	2.2(a)	—	—	—	—	—	51,523	51,523
As restated		93,053	907,280	760,799	2,866	(5,919)	831,964	2,590,043
Profit for the year, as restated		—	—	—	—	—	157,027	157,027
Other comprehensive income/(loss) for the year:								
Changes in fair value of available-for-sale investments		—	—	—	(251,691)	—	—	(251,691)
Share of other comprehensive income of associates		—	—	—	—	8,080	—	8,080
Total comprehensive income/(loss) for the year		—	—	—	(251,691)	8,080	157,027	(86,584)
2009 final dividend		—	—	—	—	—	(18,611)	(18,611)
At 31 December 2010, as restated		93,053	907,280*	760,799*	(248,825)*	2,161*	970,380*	2,484,848

Consolidated Statement of Changes in Equity *(continued)*

Year ended 31 December 2011

	Note	Attributable to equity holders of the Company						
	Note	Issued capital *HK$'000*	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Available-for-sale investment revaluation reserve *HK$'000*	Other reserves *HK$'000*	Retained profits *HK$'000*	Total equity *HK$'000*
At 1 January 2011								
As previously reported		93,053	907,280	760,799	(248,825)	2,161	897,360	2,411,828
Effect of early adoption of Amendments to HKAS 12	2.2(a)	—	—	—	—	—	73,020	73,020
As restated		93,053	907,280	760,799	(248,825)	2,161	970,380	2,484,848
Loss for the year		—	—	—	—	—	(670,439)	(670,439)
Other comprehensive income/(loss) for the year:								
Available-for-sale investments:								
Changes in fair value		—	—	—	(300,010)	—	—	(300,010)
Reclassification adjustment for an impairment loss		—	—	—	548,835	—	—	548,835
Share of other comprehensive loss of associates		—	—	—	—	(16,155)	—	(16,155)
Total comprehensive income/(loss) for the year		—	—	—	248,825	(16,155)	(670,439)	(437,769)
2010 final dividend		—	—	—	—	—	(18,611)	(18,611)
At 31 December 2011		93,053	907,280*	760,799*	—*	(13,994)*	281,330*	2,028,468

* These reserve accounts comprise the consolidated reserves of HK$1,935,415,000 (2010: HK$2,391,795,000, as restated) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 *HK$'000*	2010 *HK$'000* *(Restated)*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(670,415)	157,028
Adjustments for:			
Finance costs	8	1,610	756
Share of profits and losses of associates		(147,083)	(207,169)
Interest income on bank deposits	5	(44)	(25)
Dividend income from available-for-sale investments	5	(11,117)	(10,019)
Changes in fair value of investment properties	5	(4,600)	(5,000)
Gain on early redemption of an available-for-sale investment	5	—	(3,742)
Fair value losses on embedded option derivatives, net	6	3,500	4,775
Fair value losses on listed equity investments at fair value through profit or loss, net	6	169,649	30,681
Impairment of an available-for-sale investment	21	548,835	—
Depreciation	15	2,715	3,892
Gain on disposal of items of property and equipment	5	(25)	(48,070)
		(106,975)	(76,893)
Decrease/(increase) in listed equity investments at fair value through profit or loss		9,591	(48,109)
Increase in loans receivable		(2,000)	(2,000)
Decrease/(increase) in prepayments, deposits and other receivables		(2,309)	230
Increase in dividends receivable from listed equity investments at fair value through profit or loss		—	(206)
Increase in interest receivable from convertible notes and loans receivable		(2,658)	(1,938)
Increase/(decrease) in other payables and accruals		(1,300)	652
Net cash flows used in operating activities		(105,651)	(128,264)

Consolidated Statement of Cash Flows *(continued)*

Year ended 31 December 2011

	2011 HK$'000	2010 HK$'000 (Restated)
Net cash flows used in operating activities	(105,651)	(128,264)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property and equipment	(1,617)	(3,029)
Proceeds from early redemption of an available-for-sale investment	2,386	10,073
Proceeds from redemption of a convertible note	9,600	—
Proceeds from disposal of items of property and equipment	25	71,035
Interest received from bank deposits	38	25
Dividends received from an associate	8,190	6,825
Dividends received from available-for-sale investments	11,206	9,189
Purchase of convertible notes	(10,000)	(15,200)
Increase in pledged time deposits	(27)	(43)
Net cash flows from investing activities	19,801	78,875
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	75,000	110,000
Repayment of bank loans	—	(130,000)
Interest paid	(1,606)	(729)
Dividends paid	(18,611)	(18,611)
Net cash flows from/(used in) financing activities	54,783	(39,340)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(31,067)	(88,729)
Cash and cash equivalents at beginning of year	43,055	131,784
CASH AND CASH EQUIVALENTS AT END OF YEAR	11,988	43,055
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	10,191	8,131
Non-pledged time deposits with original maturity of less than three months when acquired	1,797	34,924
	11,988	43,055

Statement of Financial Position

31 December 2011

	Notes	2011 *HK$'000*	2010 *HK$'000*
NON-CURRENT ASSETS			
Investments in subsidiaries	17	**1,843,968**	1,868,069
CURRENT ASSETS			
Prepayments	23	**790**	788
Cash and bank balances	24	**3,365**	1,440
Total current assets		**4,155**	2,228
CURRENT LIABILITIES			
Other payables and accruals	25	**684**	773
NET CURRENT ASSETS		**3,471**	1,455
Net assets		**1,847,439**	1,869,524
EQUITY			
Issued capital	28	**93,053**	93,053
Reserves	29(b)	**1,754,386**	1,776,471
Total equity		**1,847,439**	1,869,524

Cheung Chung Kiu
Director

Yuen Wing Shing
Director

Notes to Financial Statements

31 December 2011

1. CORPORATE INFORMATION

Yugang International Limited (the "Company") is a company incorporated in Bermuda with limited liability. The principal place of business of the Company is located at Rooms 3301-3307, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

(i) treasury investment;

(ii) property investment; and

(iii) trading of scrap metals and other materials.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Notes to Financial Statements

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Tax – Deferred Tax: Recovery of Underlying Assets* (early adoption)
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 12 Amendments, HKAS 24 (Revised), and amendments to HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Early Adoption of Amendments to HKAS 12 *Income Tax - Deferred Tax: Recovery of Underlying Assets*

Amendments to HKAS 12 introduce a rebuttable presumption that deferred tax on investment property measured at fair value model in HKAS 40 *Investment Property* should be determined on the basis that its carrying amount will be recovered through sale. Although the amendments are effective for annual periods beginning on or after 1 January 2012, the Group and its associates have decided to early adopt the amendments in these consolidated financial statements.

Notes to Financial Statements

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(a) Early Adoption of Amendments to HKAS 12 *Income Tax - Deferred Tax: Recovery of Underlying Assets* *(continued)*

As a result of the change in accounting policy arising from amendments to HKAS 12, the Group and its associates now measure any deferred tax liability arising from the fair value changes of their investment properties using tax rate that would apply on recovery of the assets through sale, rather than through use as applied prior to adoption of these amendments. This change in accounting policy has been applied retrospectively and the effects of the early adoption of the above amendments to the Group are summarised as follows:

(i) Consolidated income statement for the year ended 31 December

	2011 *HK$'000*	2010 *HK$'000*
Increases in share of profits and losses of associates	**16,914**	20,672
Decrease in income tax	**759**	825
Decrease in loss (2010: Increase in profit) for the year attributable to equity holders of the Company	**17,673**	21,497
Decrease (2010: Increase) in basic and diluted loss (2010: earnings) per share attributable to ordinary equity holders of the Company	**HK0.19 cents**	HK0.23 cents

(ii) Consolidated statement of financial position at 31 December

	2011 *HK$'000*	2010 *HK$'000*
Increase in investments in associates	**87,228**	70,314
Decrease in deferred tax liabilities	**3,465**	2,706
Increase in retained profits	**90,693**	73,020

Notes to Financial Statements

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(a) Early Adoption of Amendments to HKAS 12 *Income Tax - Deferred Tax: Recovery of Underlying Assets* (continued)

(iii) Consolidated statement of financial position at 1 January

	2010
	HK$'000
Increase in investments in associates	49,642
Decrease in deferred tax liabilities	1,881
Increase in retained profits	51,523

Due to the retrospective application of the amendments which has resulted in the restatement of items in the consolidated statement of financial position, a consolidated statement of financial position at 1 January 2010, and the related notes affected by the amendments are presented in these financial statements.

(b) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(c) *Improvements to HKFRSs 2010*

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

Notes to Financial Statements

31 December 2011

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[3]
HKFRS 9	*Financial Instruments*[5]
HKFRS 10	*Consolidated Financial Statements*[3]
HKFRS 11	*Joint Arrangements*[3]
HKFRS 12	*Disclosure of Interests in Other Entities*[3]
HKFRS 13	*Fair Value Measurement*[3]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[2]
HKAS 19 (2011)	*Employee Benefits*[3]
HKAS 27 (2011)	*Separate Financial Statements*[3]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[3]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[3]

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

Further information about those changes that are expected to significantly affect the Group is as follows:

Amendments to HKFRS 7 introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g. securitisations), including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Group expects to adopt the amendments from 1 January 2012 and comparative disclosures are not required for any period beginning before that date.

Amendments to HKFRS 7 issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013.

Notes to Financial Statements

31 December 2011

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(continued)*

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Notes to Financial Statements

31 December 2011

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(continued)*

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

Amendments to HKAS 32 clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalents to net settlements. The Group expects to adopt the amendments from 1 January 2014.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

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

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	2%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include other payables and interest-bearing bank loans.

Subsequent measurement

After initial recognition, other payables and interest-bearing loans are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on the settlement or transaction of monetary items are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(d) dividend income, when the shareholders' right to receive payment has been established; and

(e) gain or loss on the disposal of listed securities, on the trade date.

Notes to Financial Statements

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their services to the Group at the end of the reporting period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

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31 December 2011

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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 described below.

Estimation of fair value of investment properties

The fair values of the Group's investment properties are assessed by management based on the property valuation performed by independent professionally qualified valuers on an open market, existing use basis. The assumptions adopted in the property valuation are based on market conditions existing at each reporting date, with reference to comparable sales transactions and where appropriate, on the basis of capitalisation of the net income after allowances for outgoings and in some cases provisions for reversionary income potential.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements in their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

At 31 December 2011, an impairment loss of HK$548,835,000 has been recognised for an available-for-sale investment (2010: Nil). The carrying amount of an available-for-sale investment was HK$366,105,000 (2010: HK$668,500,000).

Notes to Financial Statements

31 December 2011

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 27 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable segments as follows:

(a) The treasury investment segment which trades and holds debt and equity securities, receives interest and dividend income from the relevant securities investments, and generates interest income from the provision of financing services.

(b) The property and infrastructure investment segment which invests in properties for rental income and/or for capital appreciation potential, and invests in an associate which holds two tunnels in Hong Kong generating toll revenue. The property investment activities of this segment are carried out by Y. T. Realty Group Limited ("Y. T. Realty"), an associate of the Group, whilst the infrastructure investment activities are carried out through an associate of Y. T. Realty.

(c) The "Others" segment which consists of the trading of scrap metals and other materials, and other investments.

The management of the Company monitors the operating results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

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31 December 2011

4. OPERATING SEGMENT INFORMATION *(continued)*

Information regarding the Group's reportable segments, together with their related revised comparative information, is presented below:

Year ended 31 December 2011

	Treasury investment HK$'000	Property and infrastructure investment HK$'000	Others HK$'000	Reportable segments total HK$'000	Adjustments (Note) HK$'000	Consolidated HK$'000
Segment revenue:						
Revenue	(26,515)	160,472	—	133,957	(160,472)	(26,515)
Other income and gains	11,183	303,732	6,504	321,419	(303,732)	17,687
Total revenue and gains	(15,332)	464,204	6,504	455,376	(464,204)	(8,828)
Segment profit/(loss) for the year	(808,612)	430,824	1,524	(376,264)	(283,741)	(660,005)
Corporate and unallocated expenses, net						(10,434)
Loss for the year						(670,439)

	Treasury investment HK$'000	Property and infrastructure investment HK$'000	Others HK$'000	Corporate and unallocated HK$'000	Consolidated HK$'000
Other segment information:					
Share of profits and losses of associates	—	147,083	—	—	147,083
Investments in associates	—	1,543,509	—	—	1,543,509
Capital expenditure	—	—	—	1,617	1,617
Depreciation	—	—	427	2,288	2,715
Impairment of an available-for-sale investment	548,835	—	—	—	548,835
Interest revenue	2,658	—	—	—	2,658
Interest expense	1,610	—	—	—	1,610

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31 December 2011

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2010

	Treasury investment HK$'000	Property and infrastructure investment HK$'000 (Restated)	Others HK$'000 (Restated)	Reportable segments total HK$'000 (Restated)	Adjustments (Note) HK$'000 (Restated)	Consolidated HK$'000 (Restated)
Segment revenue:						
Revenue	5,567	145,249	—	150,816	(145,249)	5,567
Other income and gains	14,090	368,093	54,463	436,646	(368,093)	68,553
Total revenue and gains	19,657	513,342	54,463	587,462	(513,342)	74,120
Segment profit/(loss) for the year	(84,905)	606,822	49,098	571,015	(399,653)	171,362
Corporate and unallocated expenses, net						(14,335)
Profit for the year						157,027

	Treasury investment HK$'000	Property and infrastructure investment HK$'000 (Restated)	Others HK$'000	Corporate and unallocated HK$'000	Consolidated HK$'000 (Restated)
Other segment information:					
Share of profits and losses of associates	—	207,169	—	—	207,169
Investments in associates	—	1,420,772	—	—	1,420,772
Capital expenditure	—	—	—	3,029	3,029
Depreciation	—	—	427	3,465	3,892
Interest revenue	2,004	—	—	—	2,004
Interest expense	756	—	—	—	756

Note: The activities of the property and infrastructure investment segment are carried out through the Group's associates and therefore, the entire revenue and gains of this reportable segment and its profit for the year not attributable to the Group are adjusted to arrive at the Group's consolidated revenue and gains and consolidated profit/(loss) for the year.

The Group's revenue is set out in note 5 to the financial statements.

The Group's revenue is derived solely from its operations in Hong Kong, and the non-current assets of the Group are substantially located in Hong Kong.

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31 December 2011

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net gains or losses on disposal of listed equity investments at fair value through profit or loss, dividend income from listed equity investments at fair value through profit or loss, and interest income from convertible notes and loans receivable during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2011 *HK$'000*	2010 *HK$'000*
Revenue		
Losses on disposal of listed equity investments at fair value through profit or loss, net	**(29,638)**	(3,662)
Dividend income from listed equity investments at fair value through profit or loss	**465**	7,225
Interest income from convertible notes and loans receivable	**2,658**	2,004
	(26,515)	5,567
Other income and gains		
Gross rental income	**919**	791
Interest income on bank deposits	**44**	25
Dividend income from available-for-sale investments	**11,117**	10,019
Fair value gains on investment properties *(note 16)*	**4,600**	5,000
Gain on disposal of items of property and equipment	**25**	48,070
Gain on early redemption of an available-for-sale investment	**—**	3,742
Others	**982**	906
	17,687	68,553

6. OTHER EXPENSES

	2011 *HK$'000*	2010 *HK$'000*
Fair value losses, net:		
Listed equity investments at fair value through profit or loss	**169,649**	30,681
Embedded option derivatives	**3,500**	4,775
	173,149	35,456

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7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2011 *HK$'000*	2010 *HK$'000*
Depreciation *(note 15)*	2,715	3,892
Minimum lease payments under operating leases:		
Land and buildings	1,101	1,405
Others	7,976	8,902
	9,077	10,307
Auditors' remuneration	1,228	1,200
Staff costs (including directors' remuneration *(note 9)*):		
Wages and salaries	46,197	46,165
Pension scheme contributions	486	448
	46,683	46,613
Net rental income	(899)	(739)

8. FINANCE COSTS

	Group	
	2011 *HK$'000*	2010 *HK$'000*
Interest on bank loans	1,610	756

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9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Fees	**2,000**	2,000
Other emoluments:		
Salaries, allowances and benefits in kind	**13,905**	12,975
Discretionary bonuses	**8,600**	8,500
Pension scheme contributions	**48**	48
	22,553	21,523
	24,553	23,523

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2011	2010
	HK$'000	*HK$'000*
Mr. Luk Yu King, James	**400**	400
Mr. Ng Kwok Fu	**200**	200
Mr. Leung Yu Ming, Steven	**200**	200
	800	800

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

Notes to Financial Statements

31 December 2011

9. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2011					
Executive directors:					
Mr. Cheung Chung Kiu	—	5,560	4,000	12	9,572
Mr. Yuen Wing Shing	—	3,880	1,400	12	5,292
Mr. Lam Hiu Lo	—	1,685	1,200	12	2,897
Mr. Zhang Qing Xin	—	1,550	1,300	—	2,850
Mr. Liang Kang	—	1,230	700	12	1,942
	—	13,905	8,600	48	22,553
Non-executive directors:					
Mr. Lee Ka Sze, Carmelo	1,000	—	—	—	1,000
Mr. Wong Yat Fai	200	—	—	—	200
	1,200	—	—	—	1,200
	1,200	13,905	8,600	48	23,753
2010					
Executive directors:					
Mr. Cheung Chung Kiu	—	5,160	4,000	12	9,172
Mr. Yuen Wing Shing	—	3,610	1,400	12	5,022
Mr. Lam Hiu Lo	—	1,615	1,200	12	2,827
Mr. Zhang Qing Xin	—	1,425	1,200	—	2,625
Mr. Liang Kang	—	1,165	700	12	1,877
	—	12,975	8,500	48	21,523
Non-executive directors:					
Mr. Lee Ka Sze, Carmelo	1,000	—	—	—	1,000
Mr. Wong Yat Fai	200	—	—	—	200
	1,200	—	—	—	1,200
	1,200	12,975	8,500	48	22,723

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes to Financial Statements

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2010: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2010: two) non-director, highest paid employees for the year are as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	4,042	4,503
Discretionary bonuses	2,500	2,500
Pension scheme contributions	24	24
	6,566	7,027

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2011	2010
HK$2,500,001 to HK$3,000,000	1	1
HK$3,000,001 to HK$3,500,000	—	—
HK$3,500,001 to HK$4,000,000	1	—
HK$4,000,001 to HK$4,500,000	—	1
	2	2

Notes to Financial Statements

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11. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2011 *HK$'000*	2010 *HK$'000* *(Restated)*
Group:		
Deferred tax charge for the year – Hong Kong *(note 27)*	24	1

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

Group

	2011 *HK$'000*	2010 *HK$'000* *(Restated)*
Profit/(loss) before tax	(670,415)	157,028
Tax at the statutory tax rate	(110,618)	25,910
Profits and losses attributable to associates	(24,269)	(34,183)
Income not subject to tax	(3,201)	(15,619)
Expenses not deductible for tax	99,123	2,187
Tax losses not recognised	39,094	21,888
Tax losses utilised from previous years	(9)	(68)
Others	(96)	(114)
Tax charge at the Group's effective rate	24	1

The share of tax attributable to associates amounting to HK$6,147,000 (2010: HK$5,574,000, as restated) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

Notes to Financial Statements

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12. PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the year ended 31 December 2011 includes a loss of HK$3,474,000 (2010: profit of HK$19,637,000) which has been dealt with in the financial statements of the Company *(note 29(b))*.

13. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Proposed final - Nil (2010: HK$0.002) per ordinary share	**—**	18,611

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2011.

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2011 and 2010 as the Group had no potentially dilutive ordinary shares in issue during those years.

The calculation of basic and diluted earnings/(loss) per share is based on:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company used in the basic and diluted earnings/(loss) per share calculation	**(670,439)**	157,027

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	**9,305,276,756**	9,305,276,756

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15. PROPERTY AND EQUIPMENT

Group

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2011						
At 31 December 2010 and at 1 January 2011:						
Cost	72,153	5,320	5,162	2,995	18,982	104,612
Accumulated depreciation and impairment	(23,249)	(4,297)	(4,591)	(2,898)	(16,077)	(51,112)
Net carrying amount	48,904	1,023	571	97	2,905	53,500
At 1 January 2011, net of accumulated depreciation and impairment	48,904	1,023	571	97	2,905	53,500
Additions	—	—	4	22	1,591	1,617
Depreciation provided during the year	(1,150)	(325)	(191)	(61)	(988)	(2,715)
At 31 December 2011, net of accumulated depreciation and impairment	47,754	698	384	58	3,508	52,402
At 31 December 2011:						
Cost	72,153	5,320	5,166	3,017	18,249	103,905
Accumulated depreciation and impairment	(24,399)	(4,622)	(4,782)	(2,959)	(14,741)	(51,503)
Net carrying amount	47,754	698	384	58	3,508	52,402

Notes to Financial Statements

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15. PROPERTY AND EQUIPMENT *(continued)*

Group

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 December 2010						
At 31 December 2009 and at 1 January 2010:						
Cost	96,859	6,757	6,982	3,098	16,676	130,372
Accumulated depreciation and impairment	(24,891)	(4,926)	(5,543)	(2,800)	(14,928)	(53,088)
Net carrying amount	71,968	1,831	1,439	298	1,748	77,284
At 1 January 2010, net of accumulated depreciation and impairment	71,968	1,831	1,439	298	1,748	77,284
Additions	—	225	209	18	2,577	3,029
Disposals	(21,575)	(547)	(702)	(97)	—	(22,921)
Depreciation provided during the year	(1,489)	(486)	(375)	(122)	(1,420)	(3,892)
At 31 December 2010, net of accumulated depreciation and impairment	48,904	1,023	571	97	2,905	53,500
At 31 December 2010:						
Cost	72,153	5,320	5,162	2,995	18,982	104,612
Accumulated depreciation and impairment	(23,249)	(4,297)	(4,591)	(2,898)	(16,077)	(51,112)
Net carrying amount	48,904	1,023	571	97	2,905	53,500

At 31 December 2011, certain of the Group's land and buildings with a net carrying amount of approximately HK$41,564,000 (2010: HK$42,582,000) were pledged to banks to secure banking facilities granted to the Group *(note 32)*.

The Group's leasehold land included in land and buildings is situated in Hong Kong and held under long term leases.

Notes to Financial Statements

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16. INVESTMENT PROPERTIES

	Group	
	2011 *HK$'000*	2010 *HK$'000*
Carrying amount at 1 January	23,000	18,000
Net gain from a fair value adjustment	4,600	5,000
Carrying amount at 31 December	27,600	23,000

The Group's investment properties are situated in Hong Kong and are held under long term leases.

The Group's investment properties were revalued on 31 December 2011 by Savills Valuation and Professional Services Limited, independent professionally qualified valuers, at HK$27,600,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 30(a) to the financial statements.

At 31 December 2011, the Group's investment properties with a carrying value of HK$27,600,000 (2010: HK$23,000,000) were pledged to a bank to secure banking facilities granted to the Group *(note 32)*.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 *HK$'000*	2010 *HK$'000*
Unlisted shares, at cost	105,759	105,759
Due from subsidiaries	1,738,209	1,762,310
	1,843,968	1,868,069

The amounts due from subsidiaries included in the investments in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries.

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17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Bookman Properties Limited	British Virgin Islands/ Hong Kong	US$1	—	100	Securities investment
Chase Create Investments Limited	Hong Kong	HK$2	—	100	Property holding
Ferrex Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
First River Investments Limited	British Virgin Islands	US$1	—	100	Investment holding
Funrise Limited	British Virgin Islands	US$1	—	100	Investment holding
Joywell Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Kent Smart Investments Limited	Hong Kong	HK$2	—	100	Property holding
Maxking Industries Limited	Hong Kong	HK$2	—	100	Motor vehicle leasing
Maxlord Enterprises Limited	Hong Kong	HK$2	—	100	Money lending
New Wealth Limited	Hong Kong	HK$2	—	100	Property investment
Profit Era Development Limited	Hong Kong	HK$1	—	100	Motor vehicle leasing
Regulator Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding
Senico Investments Limited	British Virgin Islands	US$1	—	100	Trading of metal commodities and other materials
Time Lander Limited	British Virgin Islands	US$1	—	100	Property holding
Top Eagle Holdings Limited	British Virgin Islands	US$1	—	100	Investment holding

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17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yugang Finance Limited	Hong Kong	HK$2	—	100	Provision of financial services
Yugang International (B.V.I.) Limited	British Virgin Islands	US$5	100	—	Investment holding
Yugang Management Limited	Hong Kong	HK$2	—	100	Corporate management

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

18. INVESTMENTS IN ASSOCIATES

	Group		
	31 December 2011 ***HK$'000***	31 December 2010 *HK$'000* *(Restated)*	1 January 2010 *HK$'000* *(Restated)*
Share of net assets	**1,543,509**	1,420,772	1,212,348
Market value of listed shares	**505,050**	556,920	390,390

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Y.T. Realty Group Limited	Ordinary shares of HK$0.1 each	Bermuda	34.14	Investment holding
Benefit Plus Company Limited	Ordinary shares of HK$1 each	Hong Kong	34.14	Property investment
Best View Investments Hong Kong Company Limited	Ordinary shares of US$1 each	British Virgin Islands	34.14	Property holding
E-Tech Services Limited	Ordinary shares of HK$1 each	Hong Kong	34.14	Provision of property technical consultant services

Notes to Financial Statements

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18. INVESTMENTS IN ASSOCIATES *(continued)*

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Harson Investment Limited	Ordinary shares of HK$1 each	Hong Kong	34.14	Property investment
Honway Holdings Limited	Ordinary shares of US$1 each	British Virgin Islands	34.14	Investment holding
Mainland Sun Ltd.	Ordinary shares of US$1 each	British Virgin Islands	34.14	Property investment
Score Goal Investment Limited	Ordinary shares of HK$1 each	Hong Kong	34.14	Property investment
Y.T. (China) Limited	Ordinary shares of HK$1 each	Hong Kong	34.14	Investment holding
Y.T. Finance Limited	Ordinary shares of HK$500 each	Hong Kong	34.14	Finance vehicle
Y.T. Group Management Limited	Ordinary shares of HK$1 each	Hong Kong	34.14	Provision of business management services
Y.T. Investment Holdings Limited	Ordinary shares of US$1 each	British Virgin Islands	34.14	Investment holding
Y.T. Investment Management Limited	Ordinary shares of US$1 each	British Virgin Islands	34.14	Securities investment
Y.T. Properties International Limited	Ordinary shares of US$1 each	British Virgin Islands	34.14	Investment holding
Y.T. Property Services Limited	Ordinary shares of HK$1 each	Hong Kong	34.14	Property management

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The Group's shareholdings in the associates all comprise equity shares held through a wholly-owned subsidiary of the Company.

All the above associates have been accounted for using the equity method in these financial statements.

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18. INVESTMENTS IN ASSOCIATES *(continued)*

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	31 December 2011 *HK$'000*	31 December 2010 *HK$'000* *(Restated)*
Assets	4,915,047	4,670,589
Liabilities	393,959	509,011
Revenue	160,472	145,249
Profit	430,824	606,822

19. CONVERTIBLE NOTES RECEIVABLE

	Group	
	2011 *HK$'000*	2010 *HK$'000*
Unlisted convertible notes:		
Loan portion	6,515	21,234
Embedded option derivatives at fair value	3,793	3,858
	10,308	25,092
Classified as current assets	(3,793)	(25,092)
Non-current assets	6,515	—

As at 31 December 2011, the Group held a convertible note with a principal amount of HK$10,000,000 issued by a company listed on the Stock Exchange. This convertible note carries interest at 5% per annum and will mature in 2014. This convertible note confers rights on the holders to convert the whole or part of the outstanding principal amount into ordinary shares of the issuer at conversion price of HK$1 per share in the defined period. The convertible note could be redeemed by the issuer at an amount equal to 100% of the principal amount before maturity to the extent of the amount not previously converted by the holders. The fair value of the loan portion of the convertible note is determined based on an effective interest rate of 22.5% per annum on initial recognition and the fair value of the embedded option derivatives (issuer's call options and holders' conversion options) is determined using a trinomial tree pricing model.

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20. LOANS RECEIVABLE

	Group 2011 HK$'000	Group 2010 HK$'000
Unsecured:		
Non-current	4,000	3,000
Current	1,000	—
	5,000	3,000

The Group's loans receivable represent receivables arising from its money lending business and are stated at amortised cost at an effective interest rate equal to the Hong Kong dollar prime rate per annum. The credit terms for the existing customer range from three to five years. As the Group's loans receivable are not significant during the year, the directors of the Company are of the opinion that there is no significant credit risk.

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group 2011 HK$'000	Group 2010 HK$'000
Listed equity investment in Hong Kong, at fair value	366,105	666,108
Unlisted investment, at cost	—	2,392
	366,105	668,500

Particulars of the Group's listed equity investment in Hong Kong at the end of the reporting period are as follows:

Name	Place of incorporation	Nominal value of issued and paid-up share capital	Percentage of ownership interest attributable to the Group 2011	2010
C C Land Holdings Limited	Bermuda	HK$254,392,000	9.99	9.93

During the year, the gross loss in respect of the Group's available-for-sale investments, which is stated at fair value, recognised in other comprehensive income amounted to HK$300,010,000 (2010: HK$251,691,000).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

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21. AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

As at 31 December 2011, there was a significant decline in the market value of an available-for-sale investment of the Group which is a listed equity investment in Hong Kong. The Directors considered that such a decline was a significant and prolonged decline in fair value below the original cost of that investment and constituted an objective evidence of impairment. Accordingly, an impairment loss of HK$548,835,000 (2010: Nil), which represented a reclassification from other comprehensive income, has been recognised in the consolidated income statement for the year.

The market value of the Group's listed equity investment at the date of approval of these financial statements was approximately HK$409,326,000.

As at 31 December 2010, The Group's unlisted investment with a carrying amount of HK$2,392,000 was stated at cost less any impairment losses and not at fair value because it did not have a quoted market price in an active market, the range of reasonable fair value estimates is significant, and the probabilities of the various estimates cannot be reasonably assessed.

22. LISTED EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Listed equity investments, at market value:		
Hong Kong	**103,329**	226,433
Elsewhere	**58,556**	100,353
	161,885	326,786

The market value of the Group's listed equity investments at fair value through profit or loss at the date of approval of these financial statements was approximately HK$185,401,000.

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	2,071	1,180	790	788
Deposits	1,143	1,243	—	—
Other receivables	2,641	1,203	—	—
	5,855	3,626	790	788

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	683	1,646	667	656
Accruals	20,364	20,740	17	117
Customers' deposits received	278	235	—	—
	21,325	22,621	684	773

Other payables are non-interest-bearing and repayable on demand.

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26. INTEREST-BEARING BANK LOANS

Group	2011			2010		
	Effective interest rate (%)	Maturity	*HK$'000*	Effective interest rate (%)	Maturity	*HK$'000*
Current						
Bank loans - secured	1.95 – 2.345	January, February 2012	115,000	1.98	January 2011	40,000

All the above bank loans are denominated in Hong Kong dollars and their carrying amounts as at 31 December 2011 and 2010 approximated to their fair values.

The above bank loans are secured by certain of the Group's time deposits, investment properties and leasehold land and buildings *(note 32)*.

27. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation *HK$'000*
At 1 January 2010, as restated	315
Deferred tax charged to the income statement during the year *(note 11)*	146
Gross deferred tax liabilities at 31 December 2010 and 1 January 2011, as restated	461
Deferred tax charged to the income statement during the year *(note 11)*	114
Gross deferred tax liabilities at 31 December 2011	575

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27. DEFERRED TAX *(continued)*

Deferred tax assets

Group

	Losses available for offsetting against future taxable profits *HK$'000*
At 1 January 2010	173
Deferred tax credited to the income statement during the year *(note 11)*	145
Gross deferred tax assets at 31 December 2010 and 1 January 2011	318
Deferred tax credited to the income statement during the year *(note 11)*	90
Gross deferred tax assets at 31 December 2011	408

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

	31 December 2011 *HK$'000*	31 December 2010 *HK$'000* *(Restated)*	1 January 2010 *HK$'000* *(Restated)*
Net deferred tax liabilities recognised in the consolidated statement of financial position	167	143	142

The Group has tax losses arising in Hong Kong of HK$1,037,381,000 (2010: HK$800,498,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that sufficient taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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28. SHARE CAPITAL

Shares

	2011	2010
	HK$'000	*HK$'000*
Authorised:		
50,000,000,000 (2010: 50,000,000,000) ordinary shares of HK$0.01 each	**500,000**	500,000
Issued and fully paid:		
9,305,276,756 (2010: 9,305,276,756) ordinary shares of HK$0.01 each	**93,053**	93,053

Share options

The Company adopted a share option scheme (the "Scheme") at the special general meeting held on 29 April 2005. Employees (including directors) of the Group are included in the eligible participants under the Scheme. A total of 930,527,675 shares will be available for issue under the Scheme, which represented 10% of the Company's issued share capital at the end of the reporting period. Each participant cannot be entitled more than 1% of the total number of shares in issue in any 12-month period. The option shall end, in any event, not later than 10 years from the date of grant of the option subject to the provision for early termination set out in the Scheme. The Scheme remains in force until 28 April 2015. No option has been granted under the Scheme since the adoption of the Scheme.

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29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 34 of the financial statements.

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2010	907,280	839,108	29,057	1,775,445
Total comprehensive income for the year	—	—	19,637	19,637
2009 final dividend	—	—	(18,611)	(18,611)
At 31 December 2010 and at 1 January 2011	907,280	839,108	30,083	1,776,471
Total comprehensive loss for the year	—	—	(3,474)	(3,474)
2010 final dividend	—	—	(18,611)	(18,611)
At 31 December 2011	907,280	839,108	7,998	1,754,386

The contributed surplus of the Company originally represented the excess of the net asset values of the subsidiaries acquired over the nominal value of the Company's shares issued for their acquisition at the time of the reorganisation in preparation for the listing of the Company's shares in 1993. Under the Bermuda Companies Act 1981 (as amended from time to time), the contributed surplus may be distributed to shareholders under certain circumstances.

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30. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties *(note 16)* under operating lease arrangements, with leases negotiated for terms of two years to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within one year	**779**	903
In the second to fifth years, inclusive	**356**	373
	1,135	1,276

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for these properties are negotiated for terms from one year to three years.

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Within one year	**1,069**	1,114
In the second to fifth years, inclusive	**546**	1,483
	1,615	2,597

31. COMMITMENTS

At the end of the reporting period, neither the Group nor the Company had any significant commitments.

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32. BANKING FACILITIES

At the end of the reporting period, the Group's banking facilities were secured by:

(a) a pledge of the Group's time deposits of HK$9,411,000 (2010: HK$9,384,000);

(b) a pledge of the Group's investment properties and certain land and buildings with carrying values of HK$27,600,000 and HK$41,564,000, respectively (2010: HK$23,000,000 and HK$42,582,000, respectively); and

(c) corporate guarantees issued by the Company.

33. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2011	2010
	HK$'000	*HK$'000*
Guarantees given to banks in connection with facilities granted to subsidiaries	**518,080**	518,080

At 31 December 2011, the banking facilities granted to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of HK$115,000,000 (2010: HK$40,000,000).

34. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2011	2010
	HK$'000	*HK$'000*
Short term employee benefits	**25,450**	24,290
Post-employment benefits	**60**	60
Long term employee benefits	**135**	135
Total compensation paid to key management personnel	**25,645**	24,485

Further details of directors' emoluments are included in note 9 to the financial statements.

Notes to Financial Statements

31 December 2011

35. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value

Group

At 31 December 2011

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
An available-for-sale equity investment	366,105	—	—	366,105
Listed equity investments at fair value through profit or loss	161,885	—	—	161,885
Embedded option derivatives at fair value	—	3,793	—	3,793
	527,990	3,793	—	531,783

At 31 December 2010

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
An available-for-sale equity investment	666,108	—	—	666,108
Listed equity investments at fair value through profit or loss	326,786	—	—	326,786
Embedded option derivatives at fair value	—	3,858	—	3,858
	992,894	3,858	—	996,752

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

Notes to Financial Statements

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, include equity investments, investments in convertible notes, loans receivable, bank loans, short term deposits and cash and cash equivalents. Details of the major financial instruments and the Group's accounting policies in relation to them are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk. The policies for managing each of these risks are summarised below.

Interest rate risk

The Group does not have any significant exposure to the risk of changes in market interest rates, and therefore it does not use derivative financial instruments to hedge its debt obligations and receivables.

The Group receives interest income principally from its portfolio of loans receivable and short term bank deposits with an aggregate amount of approximately HK$26 million (2010: HK$55 million) as at 31 December 2011. Assuming that the balances are held at a constant level and there is an average increase in the interest rate of 25 (2010: 25) basis points for the year ended 31 December 2011, the interest income of the Group will be increased by HK$0.1 million (2010: HK$0.1 million).

Foreign currency risk

The Group has transactional currency exposure as about 10% (2010: 11%) of the operating expenses for the year were denominated in United States dollars.

The Group has translational currency exposure because 76% (2010: 67%) of the cash and bank balances were denominated in United States dollars and 36% (2010: 31%) of the listed equity investments at fair value through profit or loss were denominated in Singapore dollars.

The Group considers that the above currency exposures are insignificant as the United States dollar is pegged to the Hong Kong dollar and the listed equity investments at fair value through profit or loss denominated in Singapore dollars only represented approximately 2.9% (2010: 4.0%, as restated) of the Group's net assets. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Singapore dollar exchange rate, with all other variables held constant, of the Group's profit/loss before tax. There is no material impact on other components of the Group's equity.

	Increase/ (decrease) in Singapore dollar exchange rate %	Increase/ (decrease) in profit/loss before tax *HK$'000*
2011		
If Hong Kong dollar weakens against Singapore dollar	**5.0**	**(2,928)**
If Hong Kong dollar strengthens against Singapore dollar	**(5.0)**	**2,928**
2010		
If Hong Kong dollar weakens against Singapore dollar	5.0	5,018
If Hong Kong dollar strengthens against Singapore dollar	(5.0)	(5,018)

Notes to Financial Statements

31 December 2011

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivables are monitored on an ongoing basis to ensure follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group reviews the recoverable amount of each individual debtor at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has established a credit committee (the "Committee") to manage the credit risk with respect to the loans receivable of the Group. The Committee reviews the credit standing and assesses credit risk exposures of each borrower. In order to mitigate this risk, the Group has formulated a credit policy governing the control of credit risk. In this regard, the directors consider that the credit risk is significantly reduced and controlled.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from equity investments at fair value through profit or loss and available-for-sale investments as at 31 December 2011. The Group's listed investments are listed on either the Stock Exchange or the stock exchange of Singapore, and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2011	High/low 2011	31 December 2010	High/low 2010
Hong Kong - Hang Seng Index	18,434	24,469	23,035	24,989
		16,170		18,972
Singapore - Straits Times Index	2,646	3,281	3,190	3,314
		2,522		2,651

The following table demonstrates the sensitivity to change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this sensitivity analysis, the impact for the available-for-sale equity investment is deemed to be on the consolidated income statement when decline in the share price of the available-for-sale equity investment result in further impairment loss after the end of the reporting date.

The sensitivity analysis is made based on a 5% decrease in Hang Seng Index of Hong Kong (2010: increase of 10%) and a 5% decrease in Straits Times Index of Singapore (2010: increase of 10%) anticipated as at the end of the reporting period and an estimated value of beta of the investment portfolios of the Group.

Notes to Financial Statements

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk *(continued)*

	Carrying amount of listed equity investments *HK$'000*	Increase in loss before tax *HK$'000*
2011		
Listed equity investments at fair value through profit or loss listed in:		
Hong Kong	103,329	(6,104)
Singapore	58,556	(1,821)
Available-for-sale investment listed in Hong Kong	366,105	(63,781)
Total		(71,706)

	Carrying amount of listed equity investments *HK$'000*	Increase in profit before tax *HK$'000*	Increase in other components of equity *HK$'000*
2010			
Listed equity investments at fair value through profit or loss listed in:			
Hong Kong	226,433	22,349	—
Singapore	100,353	8,524	—
Available-for-sale investment listed in Hong Kong	666,108	—	118,787
Total		30,873	118,787

The Group's management manages the above exposure by maintaining a well-diversified portfolio with different risk profiles.

Notes to Financial Statements

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, convertible notes and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group

	2011		
	On demand	Less than 3 months	Total
	HK$'000	*HK$'000*	*HK$'000*
Other payables	683	—	683
Interest-bearing bank loans	—	115,000	115,000
	683	115,000	115,683

	2010		
	On demand	Less than 3 months	Total
	HK$'000	*HK$'000*	*HK$'000*
Other payables	1,646	—	1,646
Interest-bearing bank loans	—	40,000	40,000
	1,646	40,000	41,646

Company

All of the Company's financial liabilities as at the end of the reporting period were repayable on demand.

Notes to Financial Statements

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36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to equity holders of the Company. Net debt includes interest-bearing bank loans, other payables and accrued expenses, less cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Interest-bearing bank loans	**115,000**	40,000
Other payables and accruals	**21,325**	22,621
Less: Cash and cash equivalents	**(11,988)**	(43,055)
Net debt	**124,337**	19,566
Equity attributable to equity holders of the Company	**2,028,468**	2,484,848
Gearing ratio	**6.1%**	0.8%

37. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third consolidated statement of financial position as at 1 January 2010 has been presented.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2012.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in the accounting policy affecting income tax, as detailed in note 2.2 to the financial statements.

RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*	*(Restated)*	*(Restated)*
REVENUE	**(26,515)**	5,567	105,006	(219,185)	107,819
PROFIT/(LOSS) BEFORE TAX	**(670,415)**	157,028	184,004	(725,794)	298,749
Tax	**(24)**	(1)	(26)	3,238	(21,781)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(670,439)**	157,027	183,978	(722,556)	276,968

ASSETS AND LIABILITIES

	At 31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	*(Restated)*	*(Restated)*	*(Restated)*
TOTAL ASSETS	**2,194,423**	2,577,075	2,701,590	2,150,719	5,190,535
TOTAL LIABILITIES	**(165,955)**	(92,227)	(111,547)	(170,441)	(57,341)
	2,028,468	2,484,848	2,590,043	1,980,278	5,133,194