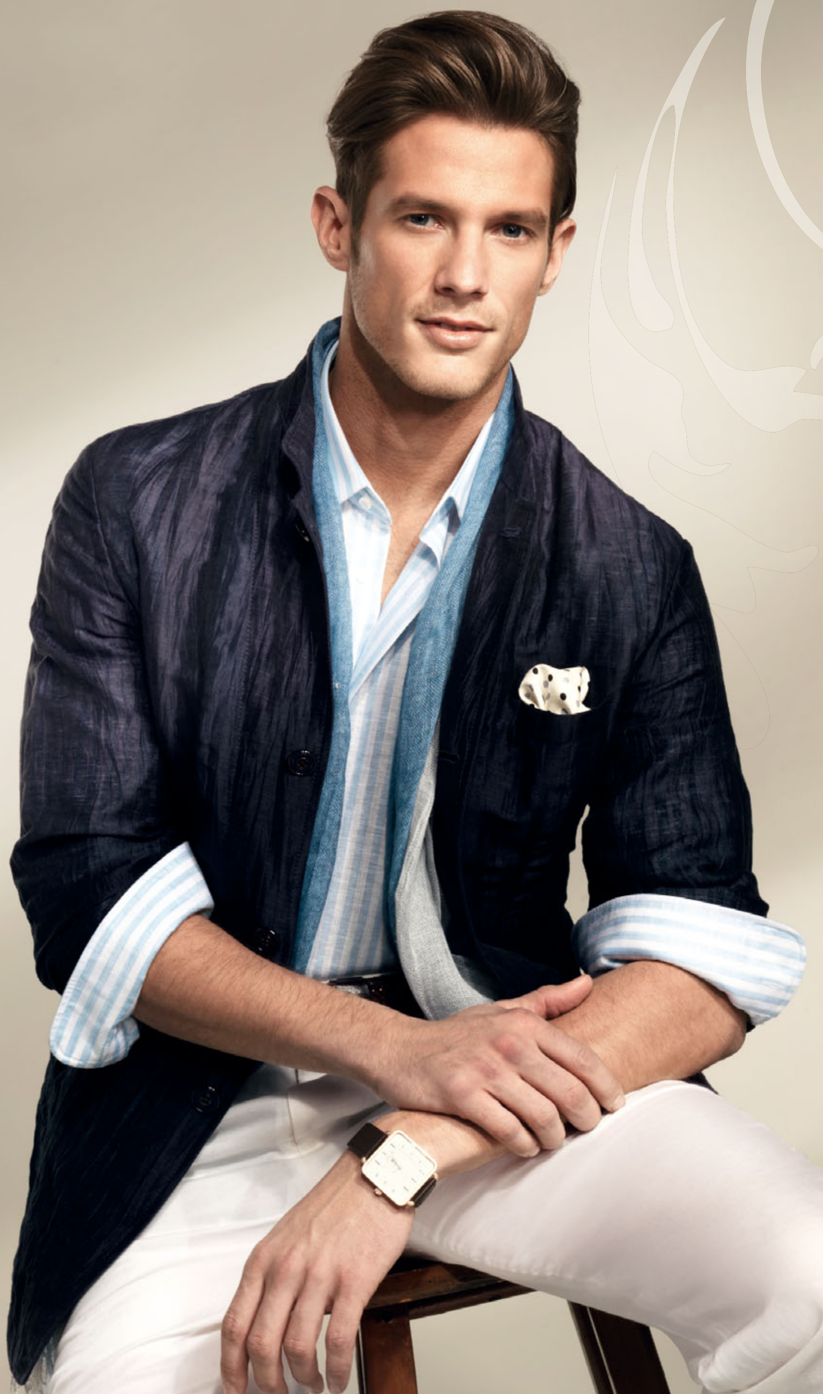
金利來集團有限公司
GOLDLION HOLDINGS LIMITED

2011 ANNUAL REPORT 二零一一年年報

股份代號 STOCK CODE: 00533

Goldlion®



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Corporate Information

Directors

Chairman:
Dr. the Hon. Tsang Hin Chi G.B.M.

Deputy Chairman and Chief Executive Officer:
Mr. Tsang Chi Ming, Ricky

Executive Director:
Madam Wong Lei Kuan

Non-executive Director:
Mr. Ng Ming Wah, Charles

Independent Non-executive Directors:
Dr. Lau Yue Sun B.B.S.
Dr. Wong Ying Ho, Kennedy B.B.S., J.P.
Mr. Li Ka Fai, David

Company Secretary

Mr. Kam Yiu Kwok

Audit Committee

Mr. Li Ka Fai, David (Chairman)
Dr. Wong Ying Ho, Kennedy B.B.S., J.P. (Deputy Chairman)
Dr. Lau Yue Sun B.B.S.
Mr. Ng Ming Wah, Charles

Remuneration Committee

Dr. Wong Ying Ho, Kennedy B.B.S., J.P. (Chairman)
Dr. Lau Yue Sun B.B.S.
Mr. Li Ka Fai, David
Mr. Ng Ming Wah, Charles
Mr. Tsang Chi Ming, Ricky

Nomination Committee

Dr. Lau Yue Sun B.B.S. (Chairman)
Dr. Wong Ying Ho, Kennedy B.B.S., J.P.
Mr. Li Ka Fai, David
Mr. Ng Ming Wah, Charles
Mr. Tsang Chi Ming, Ricky

Solicitors

Woo, Kwan, Lee & Lo

Auditors

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

Principal Bankers

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

Registrars

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

Registered Office

7th Floor
Goldlion Holdings Centre
13–15 Yuen Shun Circuit
Siu Lek Yuen
Shatin
New Territories
Hong Kong
Telephone: 852-26860666
Fax: 852-26453899
Website: www.goldlion.com

Financial Highlights

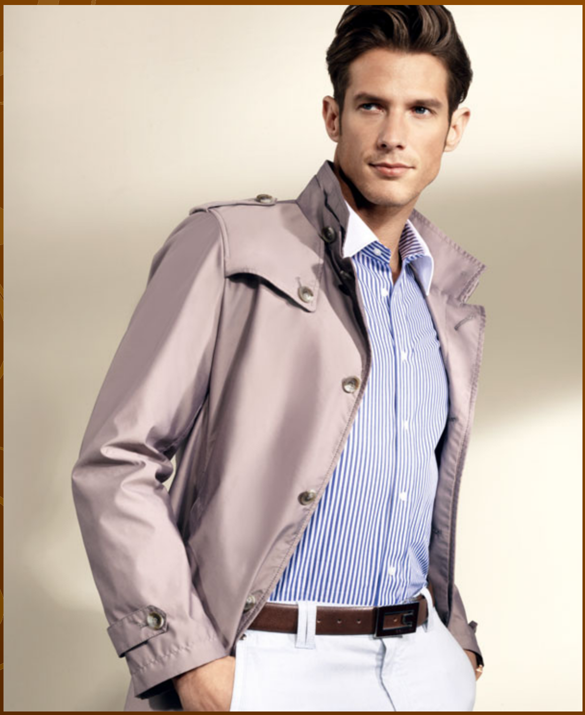
Financial Position

As at 31st December 2011, cash and bank balances held by the Group amount to approximately HK$1,020,979,000, which is HK$91,319,000 higher than the balance at the end of last year. During the year, the Group recorded a net cash generated from operating activities of HK$277,995,000 and gains from foreign exchange rate changes of HK$31,458,000, but paid dividends of HK$220,976,000 during the year. As at 31st December 2011, the Group does not have any bank loans or overdrafts.

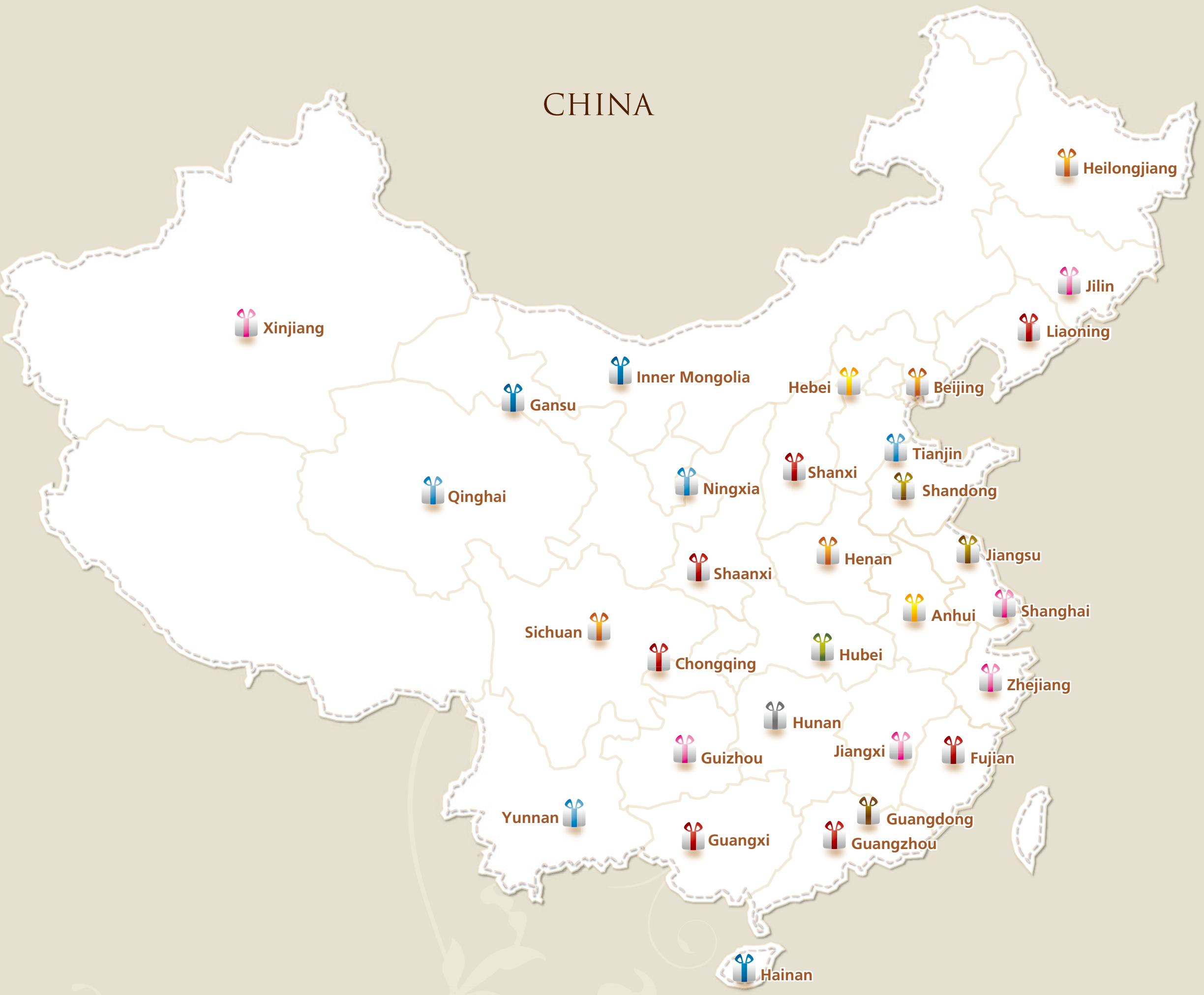
As at 31st December 2011, the Group's current assets and current liabilities are HK$1,477,587,000 and HK$450,744,000, respectively, with a current ratio at 3.3. Total current liabilities were 16% of the average capital and reserves attributable to owners of the parent of HK$2,789,740,000.

As at 31st December 2011, the Group does not have any material contingent liabilities or capital commitments and does not charge any of the Group's assets.

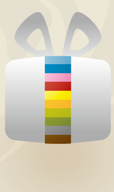
GOLDLION
HOLDINGS LIMITED



Distribution Network in China Mainland



Number of GOLDLION sales outlet



- 1-10
- 11-20
- 21-30
- 31-40
- 41-50
- 51-60
- 61-70
- 71-80
- 81-90
- over 90

Chairman's Statement

Dr. the Hon. Tsang Hin Chi, G.B.M.,
Chairman of the Group

Group results

Turnover and gross profit

During the period under review, economies worldwide were once again dampened by the persistent debt crisis in Europe. This inevitably shocked the Asian markets that had been performing relatively well. Despite bearish market sentiments, the Group's performance in 2011 remained satisfactory with turnover totalling HK$1,801,669,000, representing a year-on-year increase of 20%.

During the year, sales growth was mainly generated from the Group's apparel sales. Double digit growth was recorded in China Mainland and Singapore operations, the two major markets of the Group's apparel business. Besides, income from rental of properties, building management and licensing of brand name was higher than last year.

Gross profit of the year was HK$1,031,943,000, up by 18% from HK$876,997,000 of last year. Such an increase was close to the growth rate of total turnover. Overall gross profit margin was approximately 57.3% and was slightly lower than last year by 1.3 percentage points.

Operating expenses and operating profit

Operating expenses (including selling and marketing costs and administrative expenses) of the Group during the year were HK$554,825,000, which were 26% higher than last year.

Chairman's Statement

In line with the growth in turnover, selling and marketing costs for 2011 increased by 32% over last year to reach HK$328,241,000. Greater efforts were made to publicize the Group's apparel and accessories through additional large-scale promotion events. These included sponsoring singers in concerts and the 2011 World Department Store Forum held in Shanghai. A spectacular fashion show was also held in association with the launch of our 2012 spring and summer collections. At the same time, incentives offered to the Group's distributors for upgrading the decoration and display of their outlets were adjusted upward during the year. All these endeavors have paid off to enhance the Group's brand image and in turn impacted positively on sales. As a result of the growth in sales, turnover rentals of the Group's sales counters and salesman salaries increased accordingly.

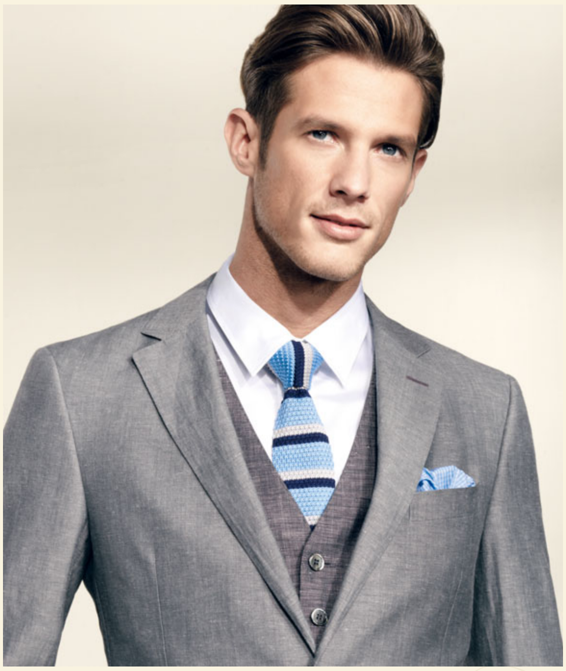
During the year, the Group recorded other gains of HK$66,926,000 including fair value gains on investment properties of HK$63,825,000 and gain on disposal of an investment property in Meizhou of HK$3,101,000. Other gains for last year represents fair value gains on investment properties of HK$89,828,000.

Operating profit for the year amounted to HK$544,044,000 compared with HK$527,664,000 of last year, representing an increase of 3%. The operating profit margin was about 30.2%, representing a decrease of about 5 percentage points from 35.2% of last year. This is mainly due to the decreases in gross profit margin and fair value gains on investment properties, and a higher selling and marketing costs during the year.

Profit attributable to owners of the parent

Profit attributable to owners of the parent during the year was HK$418,547,000, rising by 4% from HK$400,852,000 of last year. Profit for the year would be HK$349,683,000 if fair value gains on investment properties (after tax) of HK$53,779,000 (2010: HK$76,003,000) and gains on sales of properties in Meizhou (after tax) of HK$15,085,000 (2010: HK$20,776,000) were excluded. Such profit marked an increase of 15% from HK$304,073,000 of last year.

Chairman's Statement



Final dividend

The Directors have recommended the payment of a final dividend of 17.0 HK cents per share (2010: 14.0 HK cents per share) for the year ended 31st December 2011, totalling HK$166,959,000 (2010: HK$137,496,000). Subject to the shareholders' approval at the forthcoming annual general meeting, the final dividend will be paid on or about 13th June 2012 to shareholders whose names appear on the Register of Members as at 1st June 2012.

Business review

Apparel Business

China Mainland and Hong Kong SAR Markets

In the year 2011, while the global economy witnessed massive swings because of the European debt crisis, China Mainland upheld her policies of monetary squeeze and economic adjustment and control measures. Unhampered by these unfavorable conditions, China Mainland's economy grew relatively strongly with the upturned consumer market unaffected. As relatively affluent consumers increased in number in the local market, the Group's business registered satisfactory growth.

For the year as a whole, apparel and accessories sales in China Mainland amounted to HK$1,375,243,000, representing an increase of 26%, or approximately 21% in Renminbi ("RMB"), over the previous year.

Our apparel operation in the China Mainland market is mainly conducted through wholesaling to distributors in various cities and provinces, as well as directly operating retail shops in Guangzhou, Shanghai and Beijing. In terms of RMB, sales to distributors and by self-operated retail shops grew by 20% and 22% respectively. At the end of the year, there were about 1,300 Goldlion outlets in China Mainland, of which about 80 were directly under the Group's operation. Among these outlets, about 60 (including 11 self-operated outlets) were dedicated to Gold Label products.

Under the Gold Label Scheme launched during the year, outlets with upgraded decoration and display style as well as good track records were selected for supplying the upper-end Gold Label line of products set at a higher price range. Gold Label products were formally launched in the 2011 fall and winter season and the market response was encouraging. During the reporting year, Gold Label products accounted for approximately 12% of the Group's overall sales in the China Mainland market.

In the year, the Group aligned its products with a continental European style that is sleek and elegant. Seasonality, prices and clientele were analyzed and studied in detail to attain even better reception by the market.

More intensive in-house research and development of fabrics had resulted in the introduction of a wider variety of fabrics to elevate the class of our products and to offer more choices to our customers. Supply mechanism was also fine-tuned through meetings with suppliers for closer cooperation and better communication.

CHAIRMAN'S STATEMENT

To further improve consumer recognition for the Goldlion brand, major branding events were staged as part of our reinforced publicity and advertising campaigns. By keeping production costs under tight control, the Group has prevented rising production costs from significantly affecting our gross profit margin in the China Mainland market.

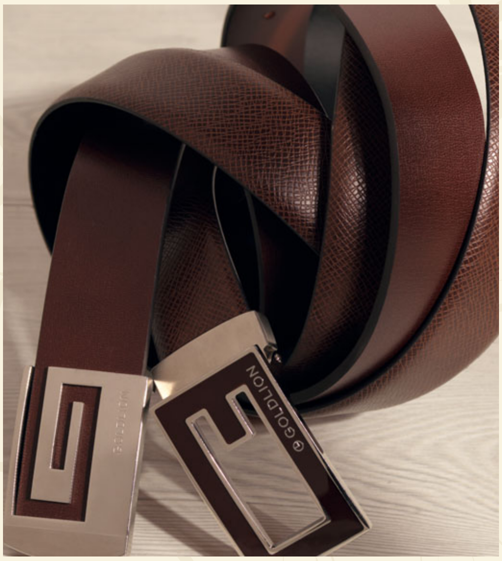
To allow ample time for production, the sales fair of the 2012 spring and summer collections was held earlier than previous years. Besides, due to the earlier Chinese New Year holidays in 2012, 2012 spring and summer products with a value of about HK$171,596,000 were purchased at the end of 2011. This ensures that sales would not be compromised by the delay of shipment. This results in an increase in year-end inventory over last year. (The inventory of 2011 spring and summer collections at the end of 2010 amounted to approximately HK$17,383,000.) The closing 2012 spring and summer stocks were offered for sale in early 2012.

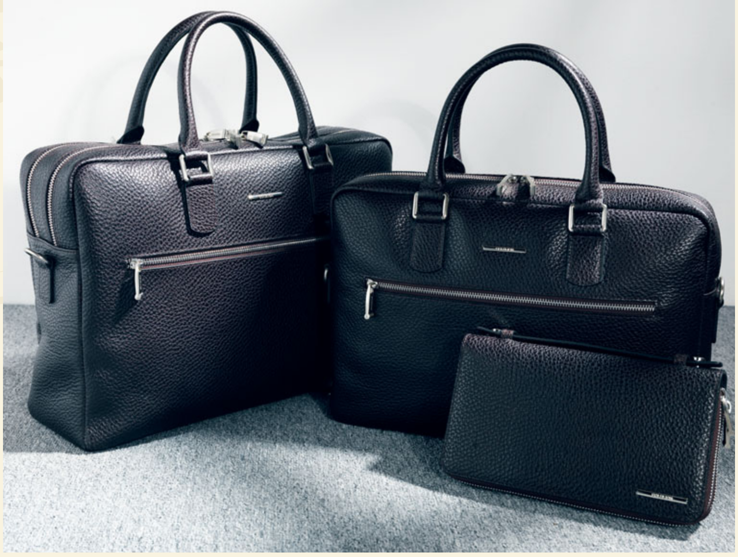
Licensing income for the year amounted to HK$70,867,000, representing a year-on-year rise of about 23%, or approximately 18% in RMB. The growth was mainly attributable to the incremental increase in license fee stipulated in the current agreements. Further, there was an increase in some licensees' turnover during the year, resulting in an increase in license fee charged at turnover. Licenses granted during the year mainly cover shoes, leather goods, undergarments, woolen sweaters and casual wear for the China Mainland market.

Singapore and Malaysia Markets

The Singapore market remained on the ascending track despite economic instability around the world and especially in Europe. Benefiting from this uptrend, the Group performed satisfactorily in the year under review. Annual sales stood at HK$153,079,000, rising by about 15% over last year. The growth was about 9% in Singapore dollars owing to appreciation of the local currency during the year.

Apparel retail being our core business in the Singapore market, the Group has slightly increased the number of its local outlets. At the end of the year, there were a total of 8 Goldlion shops and 21 counters, with the latter increasing by 1 over that at the end of last year. By comparable outlets and in local currency, sales rose by approximately 8% over last year.





Chairman's Statement

Benefiting from growing sales, continually improved operation efficiency and an absence of significant rise in operating costs excepting production costs, operating profit for the local market for the year as a whole stood at approximately HK$13,863,000 representing a growth of about 33%. Correspondingly, operating profit margin rose slightly to stand at 9% compared with 8% of last year.

The Group's business in the Malaysia market is relatively small in scale and focuses mainly on the sale of accessories and leather goods. Sales for the year amounted to HK$7,449,000, declining by approximately 12% when compared with last year primarily because of a reduction in the number of outlets. At the end of the year, there were a total of 20 counters in the local market, or 4 fewer than the previous year. Operating profit stood at approximately HK$1,485,000, representing a year-on-year increase of about 21%.

Property Investment and Development

Except for the transfer of about 334 square meters of commercial spaces from properties held for sale to investment properties and the sale of a commercial unit under investment properties, the Group's portfolio of investment properties remained unchanged from its position at the end of the previous year. Leasing also continued to be stable. Fair value gains on investment properties recognized by the Group after independent professional valuations amounted to HK$63,825,000 compared with HK$89,828,000 for the previous year.

Of the fair value gains, investment properties in Hong Kong accounted for approximately HK$38,690,000 while those in China Mainland for HK$25,135,000. Despite sluggish neighboring economies and uncertainties facing the China Mainland property market, our major investment properties continued to grow in value under the Group's efforts to enhance their leasing potential.

Rental income and building management fee generated during the reporting year stood at HK$122,437,000 and HK$36,621,000 respectively, representing a respective growth of approximately 3% and 15%. Turning to individual properties, leasing of the Goldlion Digital Network Centre in Tianhe, Guangzhou, remained to be stable. Following the transfer of the top floor of the building for the Group's own use at the end of last year and hence a reduction in leasable area, rental income was comparable with that for last year while occupancy remained to be around 90%.

Leasing for the Goldlion Commercial Building in Shenyang was likewise stable, with overall occupancy maintaining at 100%. A year-on-year growth of about 9% in rental income and building management fee was registered.

Regarding the resettlement of our property in Anhui Road in Changning, Shanghai, the Group has initially approached the relevant authorities for negotiation but progress has been slow and there has been little development so far.

In Hong Kong, the sixth floor of the Goldlion Holdings Centre in Shatin was leased out early in the year. Coupled with the upward adjustment in rentals for leases entered into last year, this has brought about a year-on-year increase of approximately 21% in overall rental income and building management fee in Hong Kong. At the end of the year, all of the Group's investment properties in Hong Kong have been leased out.

During the year under review, a total of 3,565 square meters of commercial spaces and 6 carparks from the property development project in Meizhou were sold, contributing sale proceeds of HK$33,942,000 to the Group. An investment property measuring about 1,030 square meters under the project was also disposed of, bringing in a gain of HK$3,101,000.

Chairman's Statement

Prospects

Looking ahead, China Mainland is expected to be impacted by the uncertainties shrouding the global economy and the anticipated slackened growth in Europe and the US. Following the central government's recent downward adjustment of its target growth for gross national product, the rapid growth seen in previous years may slow down.

Nevertheless, national income in China Mainland is likely to remain on the ascent and domestic demand will continue to rise. In light of these favorable factors to our business, the Group remains to be prudently optimistic about the future. We will keep up our commitment to realizing the market potential of the Goldlion brand, enhancing product design, research and development, perfecting our production management and quality control, and reinforcing branding and publicity. Besides, taking market response and potential together with other indicators into consideration, the Group will map out the future development for its Gold Label products.

The Group's Mainland sales fair of the 2012 fall and winter collections was just held in February 2012 with total order amount increased by 17% as compared with the 2011 fall and winter collections. For the sales fair of the 2012 spring and summer collections held during the year, there was an increase of 22% in total order amount as compared with the 2011 spring and summer collections. Products for the orders of the 2012 spring and summer collections has started to be dispatched by the end of 2011.

Regarding the Singapore market, the operating environment is expected to be challenging because of implications by neighboring economies. The Group will continue to exercise prudence while striving for further business growth in order to achieve our operating target.

Turning to property investment, leasing of our major investment properties is expected to remain stable. The Group will continue to boost their leasing potential to ensure a steady growth in rental income. As for the development project in Meizhou, only about 1,127 square meters of commercial spaces were yet to be disposed of at the end of the year. Given their prime location, the Group will offer them for lease depending on market conditions.

Acknowledgement

On behalf on the Board, I would like to extend my gratitude to our staff for their dedication and continuous support.

Dr. Tsang Hin Chi
Chairman

Hong Kong, 27th March 2012

Schedule of Investment Properties

As at 31st December 2011

Property		Description	Lot Number	Type	Lease term
Hong Kong					
1.	1st to 6th floors, Goldlion Holdings Centre, 13–15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, New Territories.	The property, with a gross floor area of 23,077 sq.m., comprises the entire 1st, 2nd, 3rd, 4th, 5th and 6th floors of a 8-storey factory/ warehouse. The building was completed in 1989.	Shatin Town Lot No. 273	Industrial	The property is held for a term commencing on 26th February 1987 and expiring on 30th June 2047.
2.	No. 3 Yuk Yat Street, To Kwa Wan, Kowloon.	The property comprises a modified 12-storey building completed in 1971. The property has a total gross floor area of 7,013 sq.m..	Kowloon Inland Lot No. 9676	Industrial/ Office	The property is held for a term of 75 years from 12th November 1969 renewable for a further term of 75 years.
3.	Unit A on 5th floor, Unit D on 6th floor, Units A and B on 7th floor, Units A, B, C and D on 14th floor, together with car parking S18 on the ground floor, Ming Wah Industrial Building, 13–33 Wang Lung Street, Tsuen Wan, New Territories.	The property comprises units on the 5th, 6th and 7th floor, the whole of 14th floor and a car parking space on the ground floor of a 24-storey industrial building completed in 1976. The property has a total gross floor area of 3,238 sq.m..	81/1024th shares of and in Tsuen Wan Town Lot No. 134	Industrial	The property is held for a term of 99 years from 1st July 1898 less the last three days and renewed to 30th June 2047.
4.	Unit B on 3rd floor, Acro Industrial Building, 19 Yuk Yat Street, To Kwa Wan, Kowloon.	The property comprises a workshop unit on the third floor of a 12-storey plus basement industrial building completed in 1978. The property has a gross floor area of 536 sq.m..	58/1184th shares of and in Kowloon Inland Lot No. 9681	Industrial	The property is held for a term of 75 years from 23rd March 1970 and renewable for a further term of 75 years.

Schedule of Investment Properties

As at 31st December 2011

Property		Description	Lot Number	Type	Lease term
China Mainland					
5.	Levels 1 to 5, Level 7, Units 01 to 07 and Units 09 to 12 on Level 8, Level 9, Unit 01 and Units 03 to 12 on Level 10, Level 11, Unit 01 and Units 03 to 12 on Level 12, Level 13, Units 02 to 12 on Level 14, Level 15, Unit 01 and Units 03 to 12 on Level 16, Units 07 to 12 on Level 17, Units 03 to 12 on Level 18, Levels 19 to 28, the car parking spaces in the basement levels 1 to 3 and the mezzanine level of the building, Goldlion Digital Network Centre, Ti Yu Dong Road, Tianhe District, Guangzhou, Guangdong Province.	The property is a 29-storey plus 4 basements commercial building built on a site of 6,670 sq.m.. The gross floor area of the commercial and office portions is approximately 49,283 sq.m..	–	Commercial/ Office	The land use right is held for a term of 40 years for commercial or car parking uses and 50 years for office use commencing from 27th January 1997.
6.	Shenyang Goldlion Commercial Building, 186–190 Zhong Jie Lu, Shen He Qu, Shenyang, Liaoning Province.	The property is a 7-storey commercial building built on a site of 5,379 sq.m.. The 2 phases were completed in 1991 and 1993 respectively and was completely refurbished in 2002. The property has a gross floor area of 14,801 sq.m..	–	Commercial	The land use right is held for a term of 40 years for commercial use commencing from 23rd April 2008.

Schedule of Investment Properties

As at 31st December 2011

Property		Description	Lot Number	Type	Lease term
China Mainland *(continued)*					
7.	Unit 07 on Level 24, Unit 07 and 08 on Level 26 and Unit 07 and 08 on Level 28, No. 577 Tianhe North Road, Unit 07 and 08 on Level 25, Unit 07 on Level 26, Unit 07 on Level 27 and Unit 07 and 08 on Level 28, No. 581 Tianhe North Road, Concord New World Garden, Tianhe District, Guangzhou, Guangdong Province.	The property comprises 11 domestic units in the multi-storey residential estate built in 2003. The property has a gross floor area of 1,031 sq.m..	–	Residential	The land use right is held for a term of 70 years from 1st April 1999.
8.	Unit 03 on Level 10, No. 852 Dongfeng East Road, Glorious City Garden, Dongshan District, Guangzhou, Guangdong Province.	The property comprises a residential unit in one of the 32-storey buildings of the estate built in 2001. The property has a gross floor area of 158 sq.m..	–	Residential	The land use right is held for a term of 70 years from 7th April 1990.
9.	Block 9 of 44 An Hua Lu, Changning Gu, Shanghai.	The property comprises 8-storey hostel type development built in about 1989. The property has a gross floor area of 2,903 sq.m..	–	Residential	–
10.	Unit C18 on Levels 1,2 and 3, Units D01 and D27 on Levels 1 and 2, Units E17,E25 and E26 on Levels 1 and 2, Units C11, C12 and C19 on Levels 1 and 2, Units D26 and D30 on Levels 1 and 2, Goldlion Fashion Walk, Jiangnan Binfang Dai Dao, Meizhou Ze, Guangdong Province.	The property comprises units in a commercial podium built in 2008. The property has a gross floor area of 3,693 sq.m..	140209020490 and 140209020608-1	Commercial	The land use right is held for a term of 40 years for commercial use.

Schedule of Completed Properties Held for Sale

As at 31st December 2011

Property	Description	Lot Number	Type	Group interest
Goldlion City Garden, Goldlion Fashion Walk, Jiangnan Binfang Dai Dao, Meizhou Ze, Guangdong Province, PRC.	The Group held 1,127 sq.m. of commercial space for sale.	140209020490 and 140209020608-1	Commercial	100%

Corporate Governance Report

The Board and the Management of the Company are committed to maintain a high standard of corporate governance. The Board believes that to carry the business in an accountable and transparent manner will ultimately maximize the long-term value to shareholders and stakeholders.

Throughout the year under review, the Company complied with the Code Provision of the Code on Corporate Governance Practices (the "CG Code") set out in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for a derivation as specified and explained below. During the year, the Company also complied with the Recommended Best Practices in the CG Code so far as they are practicable.

Directors

The Board

The Board assumes responsibility for leadership, control and development of the Company and is collectively responsible for promoting the success of the Company.

The Board is accountable for the supervision of the Management in the business and affairs of the Company and the Group. Apart from its statutory and fiduciary duties, the Board sets the Group's objective and approves strategic plans, key operational targets, capital expenditure, major investments and financing decisions. The Board regularly reviews businesses and performance of the Group.

The Board is also continuously reviewing the adequacy and effectiveness of the Group's internal control system. The Board recognizes that the maintenance of a sound system of control is an essential element for protecting the best interests of the shareholders.

The Board meets regularly and as and when required. In the year under review, four full Board meetings had been held at approximately quarterly intervals. Details of Directors' attendance records in 2011 are set out below:

	Attendance (%)	
Executive Directors		
Dr. Tsang Hin Chi	(2/4)	50%
Mr. Tsang Chi Ming, Ricky	(4/4)	100%
Ms. Wong Lei Kuan	(3/4)	75%
Non-executive Director		
Mr. Ng Ming Wah, Charles	(4/4)	100%
Independent non-executive Directors		
Dr. Lau Yue Sun	(4/4)	100%
Dr. Wong Ying Ho, Kennedy	(3/4)	75%
Mr. Li Ka Fai, David	(4/4)	100%

Corporate Governance Report

Directors *(continued)*

The Board *(continued)*

Dates of regular Board meetings are scheduled in the prior year to provide sufficient notice for all the Directors an opportunity to attend. For special Board meeting, reasonable notice is given.

The Company Secretary assists the Chairman in establishing the meeting agenda, and each of the Directors may request inclusion of items in the agenda. Board members are also provided with timely and adequate information prior to the Board meetings, and on an on-going basis, can have separate and independent access to the Group's Senior Management.

At the Board meetings, there is open atmosphere for Directors to contribute alternative views and major decisions would only be taken after a full discussion at the meetings. For matters on transactions where Directors are considered having conflict of interests, the Directors concerned would not be counted in quorum of meeting and shall abstain from voting of the relevant resolution.

To assist in the execution of its responsibilities, the Board has established a number of Committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. All of these Board Committees have clear written terms of reference and are available on the websites of the Company and the Stock Exchange.

The Directors can have separate and independent access to the Company Secretary. Minutes of the meetings are kept by the Company Secretary and are open for inspection by Directors.

All Directors have full and timely access to all relevant information about the Group so that they can discharge their duties and responsibilities as Directors effectively. Where any member of the Board, whether individual or as a group, needs independent professional advice, the Company will appoint a professional advisor to render such service. The costs of such professional services will be borne by the Company.

A directors' and officers' liabilities insurance has also been arranged.

Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer of the Company are segregated and are not performed by the same individual. Currently, Dr. Tsang Hin Chi is the Chairman of the Board and Mr. Tsang Chi Ming, Ricky, a son of Dr. Tsang Hin Chi, serves as the Company's Chief Executive Officer.

There are clear and written definitions of the responsibilities and functions between the Chairman and the Chief Executive Officer. The Chairman focuses on the Group's strategic development and provides leadership to the Board. The Chairman also ensures that all Directors are properly briefed on issues arising at the Board meetings and receive, in a timely manner, adequate information which is accurate, clear, complete and reliable.

The Chief Executive Officer is being assisted by Senior Management of the Group in assuming his executive duties and responsibility for the Group's operation and performance, and is answerable to the Board.

Corporate Governance Report

Directors *(continued)*

Board composition

The Board has a balance of skills and experience appropriate for the requirements of the Group's business. Currently, the Board comprises totally seven members including three executive Directors, one non-executive Director and three independent non-executive Directors. Non-executive Directors provide the Board with diversified expertise and experience. The Board believes that the presence of independent non-executive Directors can provide sufficient checks and balances that safeguard the interests of shareholders and the Group as a whole.

Each of the independent non-executive Directors has confirmed in writing to the Company their independence in particularly in regard to the requirements under Rule 3.13 of the Listing Rules. The Board considers that the independent non-executive Directors are free from any business or other relationship that may influence their exercise of independent judgement.

In case of an independent non-executive Director serves more than 9 years, his further appointment is subject to a separate resolution to be approved by shareholders. The circular to shareholders accompanying that resolution includes the reasons why the Board believes he is still independent and should be re-elected.

Biographical details of the Directors are set out on page 25 to 26.

Appointments, re-election and removal of directors

In accordance with the Company's Articles of Association, any Director appointed to fill casual vacancy should be subject to election at the first general meeting after their appointment and every Director should be subject to retirement by rotation at least once every three years. However, all of the non-executive Directors of the Company have not been appointed for a specific term but are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Articles of Association of the Company, which is not consistent with the requirements of Code Provision A.4.1.

Besides, the Board has established the Nomination Committee with specific terms of reference. The Nomination Committee consists of three independent non-executive Directors, a non-executive Director and an executive Director. List of members of Nomination Committee is set out in the "Corporate Information" on page 2.

With a view to ensure that the Board has members with the right profile of expertise, skill and ability as well as an appropriate balance of independent directors, the Nomination Committee is responsible for formulating policy and making recommendations to the Board on nominations, appointment of Directors and Board succession. The Committee also reviews the size, structure and composition of the Board and assesses the independence of the independent non-executive Directors. The Nomination Committee held one meeting during the year and the attendance records are as follows:

Members	Attendance (%)	
Dr. Lau Yue Sun (Chairman)	(1/1)	100%
Dr. Wong Ying Ho, Kennedy	(1/1)	100%
Mr. Li Ka Fai, David	(1/1)	100%
Mr. Ng Ming Wah, Charles	(1/1)	100%
Mr. Tsang Chi Ming, Ricky	(1/1)	100%

CORPORATE GOVERNANCE REPORT

DIRECTORS *(continued)*

Responsibilities of Directors

The Company has clear policy to ensure that all Directors have a proper understanding of the business and operation of the Group and that they are fully aware their roles and responsibilities as Directors under relevant legislations and regulatory requirements.

New Directors will be given a comprehensive, formal and tailored induction on appointment. Subsequently the Directors will receive briefing and professional development necessary for them to have proper understanding of the Group's operations and business and are fully aware of their responsibilities under relevant statutory and regulatory requirements.

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. During the year, all the Directors have complied with the relevant requirements under the Model Code regarding their dealing in the securities of the Company.

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee with specific terms of reference. The Remuneration Committee consists of three independent non-executive Directors, a non-executive Director and an executive Director. List of members of Remuneration Committee is set out in the "Corporate Information" on page 2.

The key role of the Committee is to formulate a formal and transparent procedure for setting of remuneration policy, to review and recommend to the Board the remuneration policy, and to review the remuneration packages of the executive Directors and members of the Senior Management. The main objective of the remuneration policy is to ensure that the Company is able to attract, retain and motivate a high-calibre team of staff.

In determining remuneration packages, the Company mainly considers employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual staff.

The Board provides sufficient resources (including access to independent professional advice if necessary) to the Remuneration Committee to enable it to discharge its duties effectively.

To maintain a proper management control, no Director and members of the Senior Management can determine his own remuneration.

The Remuneration Committee reviews remuneration packages of the executive Directors and Senior Management regularly to ensure that those packages are commensurate with their performance. The Chairman of the Committee will report the work, findings and recommendations to the Board after each meeting.

Corporate Governance Report

Remuneration committee *(continued)*

The Remuneration Committee held one meeting during the year and the attendance records were as follows:

Members	Attendance (%)	
Dr. Wong Ying Ho, Kennedy (Chairman)	(1/1)	100%
Dr. Lau Yue Sun	(1/1)	100%
Mr. Li Ka Fai, David	(1/1)	100%
Mr. Ng Ming Wah, Charles	(1/1)	100%
Mr. Tsang Chi Ming, Ricky	(1/1)	100%

Accountability and audit

Financial reporting

The Board is responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and of the Group and the results for the corresponding period. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. In preparing the accounts for the year, the Directors have:

– selected suitable accounting policies and applied them consistently;

– adopted Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants;

– make judgements and estimates that are reasonable; and have prepared the accounts on the going concern basis.

Audit Committee

The Audit Committee was established in 1998. Currently the Committee comprises three independent non-executive Directors and a non-executive Director, and is currently chaired by Mr. Li Ka Fai, David. Mr. Li is a fellow member of the Hong Kong Institute of Certified Public Accountants and has extensive accounting and auditing experiences.

The Audit Committee is primarily assisting the Board in fulfilling its oversight responsibilities for financial reporting, risk management and evaluation of internal controls and auditing processes. It also ensures that the Group complies with all applicable laws and regulations. List of members of Audit Committee is set out in the "Corporate Information" on page 2.

The Committee is also empowered to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices, with full access to records, resources and personnel, to enable it to discharge its functions properly.

In respect of maintaining an appropriate relationship with the Company's auditors, the Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the Company's external auditors, and to approve their remuneration and terms of engagement, and any questions of resignation or dismissal of the auditors. The Committee reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee also discusses with the auditors the nature and scope of the audit and reporting obligations before the audit commences.

Corporate Governance Report

Accountability and Audit *(continued)*

Audit Committee *(continued)*

The Committee had held a meeting with the external auditors without the presence of the Management to discuss various auditing issues. The Committee has also conducted regular reviews on the nature and extent of non-audit services supplied by the external auditors.

The Chairman of the Committee will report the work, findings and recommendations to the Board after each meeting. The Audit Committee held five meetings during the year and the attendance records were as follows:

Members	Attendance (%)	
Mr. Li Ka Fai, David (Chairman)	(5/5)	100%
Dr. Lau Yue Sun	(5/5)	100%
Dr. Wong Ying Ho, Kennedy	(4/5)	80%
Mr. Ng Ming Wah, Charles	(5/5)	100%

Internal controls

The Board has ultimate responsibility for maintaining a sound and effective internal control system, which is designed to provide reasonable but not absolute assurance against material errors, losses or fraud. The Board, through the Audit Committee, has conducted regular reviews on the effectiveness of the system.

The Group's internal control system comprises an established organizational structure and comprehensive policies and working procedures. Areas of responsibilities of each business and operational unit are reasonably defined to ensure sufficient segregation of duties.

The key procedures that the Board established to provide effective controls are as follows:

– a distinct organization structure exists with defined lines of authority and control responsibilities;

– a comprehensive management accounting system is in place to provide financial and operational performance indicators to the management and the relevant financial information for reporting and disclosure purpose;

– policies and procedures are designed for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information used within the business or for publication;

– systems and procedures are also in place to identify, measure, manage and control risks including reputation, strategic, legal, credit, market, liquidity, interest rate and operational risks;

– procedures are designed to ensure compliance with applicable laws, rules and regulations;

– Audit Committee reviews recommendations submitted by external auditors to the Group's management in connection with the annual audit and interim review.

Corporate Governance Report

Accountability and audit *(continued)*

Internal controls *(continued)*

The Group's Internal Audit Department plays a major role in monitoring the internal governance of the Group. The Department conducts systematic reviews of the Group's internal control system by using a risk-based audit approach and reviews the effectiveness of the Group's system of internal control against the framework of the Committee of Sponsoring Organization of the Treadway Commission (COSO) in order to provide reasonable assurance of the effectiveness of the system. The Department reports directly to the Audit Committee and has free access to review all aspects of the Group's activities and controlling system. The Department summaries audit findings and control weaknesses and reports to the Audit Committee on a regular basis.

The whistle-blowing procedure of the Group is in place during the year. The procedure is to provide a reporting channel to employees of the Group, in confidence, raise concerns about possible improprieties or fraud in financial reporting, internal control or other matters to the Audit Committee.

During the year, the Audit Committee, on behalf of the Board, has reviewed the effectiveness of the various systems put in place by the management covering all material controls, including financial, operational and compliance controls as well as risk management functions.

Auditors' remuneration

During the year, total auditors' remuneration in relation to statutory audit work of the Group amounted to HK$3,200,000, of which a sum of HK$2,900,000 was paid to the Group's principal external auditors, PricewaterhouseCoopers. The remuneration for PricewaterhouseCoopers and its affiliated firms, for services rendered is broken down below:

	HK$
Statutory audit and interim review fee	2,900,000
Tax consulting services	64,000
Report on continuing connected transactions	30,000
Total	2,994,000

Communication with shareholders

The Board strives for timeliness and transparency in its disclosures to shareholders and the public. The Company disseminates its information to shareholders in a timely manner through various channels including interim and annual reports, published announcements, press releases and shareholders' circulars. Regular meetings are held with investors, analysts, bankers and the press. The Group has a corporate website where shareholders and members of the public are able to access to up-to-date corporate information and events related to the Group.

Shareholders' views on matters relating to the Group are always welcomed by the Company. The Company encourages shareholders to attend at the shareholders' meetings to express any concerns they may have with the Board and Management directly. The Annual General Meeting of the Company provides a useful platform for dialogue and interaction with all the shareholders. At the Annual General Meeting, the Chairman as well as chairmen of the Board Committees, or in their absence, members of the Committees and the Company's external auditors are available to answer shareholders' questions.

Report of the Directors

The Directors submit their report together with the audited financial statements of Goldlion Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st December 2011.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 9 to the financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 5 to the financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 37.

The Directors have declared an interim dividend of 8.5 HK cents (2010: 7.0 HK cents) per ordinary share, totalling HK$83,480,000 (2010: HK$68,748,000), which was paid on 28th September 2011.

The Directors recommend the payment of a final dividend of 17.0 HK cents (2010: 14.0 HK cents) per ordinary share totalling HK$166,959,000 (2010: HK$137,496,000) in respect of the year ended 31st December 2011. Subject to the shareholders' approval at the Annual General Meeting to be held on 25th May 2012, the final dividend will be paid on or about 13th June 2012 to shareholders whose names appear on the register of members as at 1st June 2012.

Reserves

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 39 and note 16(a) to the financial statements. The movements in the reserves of the Company are set out in note 16(b) to the financial statements.

Donations

Charitable and other donations made by the Group during the year amounted to HK$814,000 (2010: HK$1,196,600).

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in note 7 to the financial statements.

Principal properties

Details of the principal properties of the Group held for sale and investment purposes at 31st December 2011 are set out on pages 12 to 15.

Share capital

Details of the share capital of the Company are set out in note 15 to the financial statements.

Report of the Directors

Distributable reserves

Distributable reserves of the Company at 31st December 2011, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK$399,858,000 (2010: HK$323,503,000).

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of Hong Kong, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Five-year financial summary

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out on page 86.

Directors

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

Executive Directors:
Dr. TSANG Hin Chi
Mr. TSANG Chi Ming, Ricky
Madam WONG Lei Kuan

Non-executive Director:
Mr. NG Ming Wah, Charles

Independent non-executive Directors:
Dr. LAU Yue Sun
Dr. WONG Ying Ho, Kennedy
Mr. LI Ka Fai, David

In accordance with Article 101 of the Company's Articles of Association, Dr. Tsang Hin Chi, Mr. Ng Ming Wah, Charles and Dr. Lau Yue Sun retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company has received confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers them to be independent.

Directors' service contracts

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Report of the Directors

Biographical details of directors and senior management

A description of the Directors and Senior Management of the Group is set out as follows:

Executive Directors

Dr. the Honourable Tsang Hin Chi, G.B.M., aged 78, is Chairman and a founder of the Group. Dr. Tsang holds an Honorary Doctorate degree from the Sun Yat-sen University in the People's Republic of China ("PRC"), and an Honorary Doctorate degree in Social Science from the Hong Kong Polytechnic University. He is an honorary citizen of Beijing, Harbin, Shenyang, Dalin and Guangzhou. Dr. Tsang is concurrently Honorary Vice Chairman of the All-China Federation of Industry & Commerce, Ex-officio Life Honorary Chairman of the Chinese General Chamber of Commerce, and Committee Member to several Hong Kong and Mainland trade associations. Other public offices he holds include Honorary Director of the Tsang Hin Chi Education Foundation under the Ministry of Education of the PRC, Honorary Director of the Tsang Hin Chi Manned Space Foundation, Honorary Director of the Tsang Hin Chi Sports Foundation, Deputy Managing Director of the Jinan University, and Honorary President of the Jiaying University in Guangdong. Previously, he served as Standing Committee Member in the National People's Congress of the PRC from the Eighth through the Tenth session. He is the spouse of Madam Wong Lei Kuan and father of Mr. Tsang Chi Ming, Ricky, both are executive Directors of the Group.

Mr. Tsang Chi Ming, Ricky, aged 45, is Deputy Chairman and Chief Executive Officer of the Company overseeing the operations and development of the Group. Mr. Tsang joined the Group in 1989 and was appointed as an executive Director in 2001. He is a member of the National Committee of the C.P.P.C.C. and the C.P.P.C.C. Guangzhou, and Executive Committee Member of the All-China Federation of Industry & Commerce. Mr. Tsang is also Vice Chairman of Guangdong Province Returned Overseas Chinese Association, Standing Committee Member of Beijing Youth Federation, Vice Chairman of Guangzhou Youth Federation, Vice Chairman of Guangzhou Federation of Industry & Commerce, Chairman of Chamber of Commerce of Guangzhou Foreign Investment Enterprises, Director of the Jinan University, Standing Committee Member of the Chinese General Chamber of Commerce, Deputy Chairman of Federation of Hong Kong Guangdong Community Organizations, Vice Chairman of Hong Kong Federation of Guangdong Hakka Associations and an honorary citizen of Guangzhou and Meizhou. He is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, executive Directors of the Group.

Madam Wong Lei Kuan, aged 74, is a founder of the Group. She is Honorary Executive Committee Member of the All-China Women's Federation, Honorary Chairman of the Ka Ying Chow Commercial Association Limited and a supervising advisor of the Hong Kong Federation of Women. Madam Wong is also Honorary Committee Member of the Chinese General Chamber of Commerce and Honorary Chairman of Ladies' Sub-Committee. She is Executive Director of the China Women's Development Fund and Director of the China Council for the Promotion of Peaceful National Reunification. Besides, Madam Wong has served as a member of the C.P.P.C.C. Guangdong of the PRC from the Seventh through the Ninth session. She is the spouse of Dr. Tsang Hin Chi and mother of Mr. Tsang Chi Ming, Ricky, both are executive Directors of the Group.

Report of the Directors

Non-executive Director

Mr. Ng Ming Wah, Charles, aged 62, was appointed to the Board in 1992. Mr. Ng graduated from Loughborough University in England in 1972 with a B.Sc. degree in Electronic and Electrical Engineering and from London Graduate School of Business Studies (London Business School) in England in 1974 with a M.Sc. degree in Business Studies. Mr. Ng has over 30 years of experience in corporate finance and investment banking. He is a director of Somerley Limited, the principal business of which is the provision of corporate financial advisory services. He is an independent non-executive director of each of China Everbright Limited (stock code: 165) and China Molybdenum Company Limited (stock code: 3993). Mr. Ng tendered his resignation as an independent non-executive director from the board of Dalian Ports (PDA) Company Limited (stock code: 2880) on 17th March 2011 (having been a director since 16th November 2005). He was also an independent non-executive director of Stone Group Holdings Limited (stock code: 409) from September 2004 to November 2009. In addition, Mr. Ng is a member of the Board of Governors of Hong Kong Arts Centre.

Independent non-executive Directors

Dr. Lau Yue Sun, B.B.S., aged 71, is the Managing Director of New Products Investment Limited and Jip Fair Development Limited, as well as an independent non-executive director of Wing Lee Holdings Limited (stock code: 876). Dr. Lau has over 30 years of experience in manufacturing, electronics, plastic injection products and import/export business. He is a member of the National Committee of the C.P.P.C.C., a member of the Election Committee of Hong Kong SAR, a standing committee member of the Chinese General Chamber of Commerce and Chairman of Hong Kong Human Resources Exchange Centre. He is also an advisor of Guangdong Education Foundation and Director of Guangdong Chamber of Foreign Investors. Dr. Lau was appointed to the Board in 1994.

Dr. Wong Ying Ho, Kennedy, B.B.S., J.P., aged 49, is a solicitor and a China Appointed Attesting Officer. He is the Managing Partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. Dr. Wong is a member of the National Committee of the C.P.P.C.C. and is currently the chairman of Hong Kong Resources Holdings Company Limited (stock code: 2882). He is also an independent non-executive director of Asia Cement (China) Holdings Corporation (stock code: 743), China Overseas Land & Investment Limited (stock code: 688) and Shanghai Industrial Urban Development Group Limited (stock code: 563). During the last three years, Dr. Wong was a non-executive director of Qin Jia Yuan Media Services Company Limited (stock code: 2366) and resigned in November 2010. He was also an independent non-executive director of Great Wall Technology Company Limited (stock code: 074) and retired in June 2010. Dr. Wong was appointed to the Board in 2004.

Mr. Li Ka Fai, David, aged 57, is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, U.K. as well as The Institute of Chartered Secretaries and Administrators, U.K. and an associate member of The Institute of Chartered Accountants in England and Wales. He is currently the advisor and former independent director and chairman of the audit committee of China Vanke Co., Ltd., a company listed on the Shenzhen Stock Exchange. He is an independent non-executive director and chairman of the audit committee of each of China-Hongkong Photo Products Holdings Limited (stock code: 1123), Cosmopolitan International Holdings Limited (stock code: 120) and Shanghai Industrial Urban Development Group Limited (stock code: 563), all being listed companies in Hong Kong. Mr. Li is also an independent non-executive director, member of the audit committee and chairman of the remuneration committee of China Merchants Holdings (International) Company Limited (stock code: 144) and an independent non-executive director and member of the audit committee of AVIC International Holding (HK) Limited (stock code: 232), both are listed companies in Hong Kong. Mr. Li was appointed to the Board in August 2010.

Report of the Directors

Senior Management

Madam Hu Bing Xin, aged 61, is the General Manageress of the Group's China Mainland operation and is in charge of the Group's apparel business in China. She joined the Group in 2000. Madam Hu won the title of "Superior Economist" in 1987 and held position of general manageress of several listed enterprises in China. With more than 30 years of experience in market development and sales management, she won the title of the "Nation's Women Red Flag", and the name of "Model Toiler" and "Excellent Entrepreneur" in Wuhan. She was honoured with the "Ten Outstanding Female Entrepreneurs in China" in 2002 and the "Chinese Businesswomen Award for Outstanding Contribution" in 2005.

Mr. Quek Chew Teck, aged 50, was the Assistant General Manager of Goldlion Singapore from 1987 to 1994 and re-joined the Group in 1998 as the General Manager of Goldlion Singapore. He was appointed as a director and the chief executive officer of Goldlion Singapore in 2005 and is also a director of Goldlion Malaysia since 2000. He is responsible for the Group's operations in Singapore and Malaysia as well as the export business to neighbouring countries. Mr. Quek holds a Diploma in Sales and Marketing from the Marketing Institute of Singapore. He has over 20 years experience in corporate management.

Mr. Liu Hong An, aged 50, holds a Bachelor Degree in Mechanical Engineering from the South China University of Technology and is a certified engineer in quota, budget and settlement of construction project. Mr. Liu has over 20 years experience in property investment and management and has worked with large enterprises in China for many years. Mr. Liu has been with the Group since 1997 and is the General Manager of the Group's property investment and development operation in Guangzhou and Meizhou.

Mr. Kam Yiu Kwok, aged 49, joined the Group in 1999 as Accounting Manager. He was appointed as Secretary of the Company in 2000 and as Chief Financial Officer of the Group in 2010. Mr. Kam has extensive experience in accounting and finance, and is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Mr. Tu Wu Yi, aged 50, graduated with an Executive Master of Business Administration Degree. Mr. Tu is a qualified accountant in China Mainland and has more than 20 years of experience in finance. He has extensive experience in working with large enterprises and listed companies in China Mainland. He joined the Group in 2000 and is now the financial controller of the Group's operations in China Mainland.

Share options

At an Extraordinary General Meeting of the Company held on 21st May 2002, shareholders approved the adoption of a new share option scheme (the "New Option Scheme"). The New Option Scheme is designed to enable the Group to reward and motivate executives and key employees in service of the Group and other persons who may make a contribution to the Group (the "Eligible Participants").

Report of the Directors

Share options (continued)

Under the New Option Scheme which is valid and effective for a term of ten years from the date of its adoption, the Directors may grant options to the Eligible Participants to subscribe for ordinary shares in the Company at a price to be determined by the Directors and to be no less than the higher of: (i) the closing price of the Company's ordinary shares as stated in the Daily Quotation Sheets on the day of offer; (ii) the average of the closing prices of the Company's ordinary shares as stated in the Daily Quotation Sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's ordinary shares. The number of ordinary shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1 percent of the issued ordinary share capital of the Company at the date of such grant, without prior approval from the Company's shareholders. The maximum number of shares in respect of which options may be granted under the New Option Scheme and any other schemes of the Group shall not exceed 30 percent of the issued ordinary share capital of the Company from time to time. The maximum number of shares which may be issued upon exercise of all options to be granted under the New Option Scheme and any other schemes adopted by the Group must not in aggregate exceed 10 percent of the issued ordinary share capital of the Company as at the date of passing the relevant resolution adopting this New Option Scheme.

Offer for the grant of options under the New Option Scheme must be accepted within 28 days from the offer date, upon payment of a nominal price. Options may be exercised in accordance with the terms of the New Option Scheme at any time to be determined by the Board and, in the absence of such determination, such period of time shall not exceed a period of three years commencing on the expiry of six months after the acceptance date. During the year, no options had been granted or remained outstanding under the New Option Scheme or any other share option scheme of the Company.

Share Award Scheme

On 17th July 2008, the Board adopted the Share Award Scheme in which a selected employee of the Group is entitled to participate. The purpose of the scheme is to recognize the contributions by the employee of the Group and to provide the retirement benefit for the employee of the Group.

Pursuant to the rules of the Share Award Scheme, the Group has set up a trust, for the purpose of administering the Share Award Scheme and holding the awarded shares before they are vested.

During the year ended 31st December 2010, the remaining 1,840,000 shares in the Company were transferred to an employee according to the rules of the Share Award Scheme. There are no awarded shares outstanding as at 31st December 2011.

Purchase, sale or redemption of shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Report of the Directors

Directors' and Chief Executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

At 31st December 2011, the interests and short positions of each Director and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required maintained by the Company under section 352 of Part XV of the SFO or as notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Ordinary shares of HK$0.10 each in the Company at 31st December 2011

		Number of shares held				
Directors		Personal interests	Family interests (Note 1)	Other interests (Note 2)	Total	Percentage to total issued share capital
Tsang Hin Chi	Long position	–	1,210,000	613,034,750	614,244,750	62.54%
	Short position	–	–	–	–	–
Tsang Chi Ming, Ricky	Long position	1,404,000	–	613,034,750	614,438,750	62.56%
	Short position	–	–	–	–	–
Wong Lei Kuan	Long position	1,210,000	–	613,034,750	614,244,750	62.54%
	Short position	–	–	–	–	–
Ng Ming Wah, Charles	Long position	1,800,000	–	–	1,800,000	0.18%
	Short position	–	–	–	–	–

Notes:

1. Madam Wong Lei Kuan is the spouse of Dr. Tsang Hin Chi. Her shareholding disclosed under the heading "Personal interests" in the above table is the family interest of Dr. Tsang Hin Chi.

2. The shareholdings disclosed by Dr. Tsang Hin Chi, Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan under the heading "Other interests" in the above table refer to the same shares which were held by Hin Chi Family Management Limited (being trustee of the Tsang Hin Chi (2007) Family Settlement) as disclosed in the paragraph headed "Substantial Shareholders" below.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION *(continued)*

(b) Save as disclosed above, as at 31st December 2011, none of the Directors and the Chief Executive of the Company has or is deemed to have any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code.

(c) Save as disclosed above, at no time during the year ended 31st December 2011 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

(d) Other than those interests and short positions disclosed above, the Directors and the Chief Executive also hold shares of certain subsidiaries in trust for the Company solely for the purpose of ensuring that the relevant subsidiary has more than one member.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31st December 2011, the register of substantial shareholders maintained under section 336 of Part XV of the SFO shows that as at 31st December 2011, the Company has been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

Name of holder of securities	Type of securities		Number of shares held	Percentage to total issued share capital
Hin Chi Family Management Limited (Note)	Ordinary shares of HK$0.10 each	Long position	613,034,750	62.42%
		Short position	–	–
Top Grade Holdings Limited (Note)	Ordinary shares of HK$0.10 each	Long position	613,034,750	62.42%
		Short position	–	–
Silver Disk Limited (Note)	Ordinary shares of HK$0.10 each	Long position	160,616,000	16.35%
		Short position	–	–
Tsang Hin Chi Charities (Management) Limited	Ordinary shares of HK$0.10 each	Long position	53,880,750	5.49%
		Short position	–	–

Note: Hin Chi Family Management Limited as trustee of the Tsang Hin Chi (2007) Family Settlement, held all of the issued share capital of Top Grade Holdings Limited ("Top Grade"). Top Grade was interested in 613,034,750 shares in the Company including 160,616,000 shares held by Silver Disk Limited, a wholly-owned subsidiary of Top Grade.

Report of the Directors

Directors' interests in contracts of significance

Other than as disclosed under the section "Connected Transactions", no contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Connected transactions

The following transactions between certain connected parties (as defined in the Listing Rules) and the Group have entered into and/or are ongoing for which are exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

(a) The Group paid professional fees of HK$320,000 to Equitas Capital Limited during the year in the ordinary course of its business. Mr. Ng Ming Wah, Charles, a non-executive Director of the Company, is the managing director of, and a principal shareholder in, Equitas Capital Limited.

(b) On 19th December 2007, the Group, as lessor, entered into a lease with China World Trade Corporation ("CWTC") as lessee in respect of a unit located at Goldlion Holdings Centre in Hong Kong. The lease was renewed subsequently on 8th March 2010 with one year term. On 21st January 2011, the lease was renewed with China Hong Kong Digital Audiovisual Management Company Limited ("CHKDAM") as lessee, which is for two years commencing from 1st February 2011. During the year, the Group received HK$31,500 and HK$357,500 from CWTC and CHKDAM respectively as rental payment under the leases. Mr. Tsang Chi Hung has indirect beneficial interest in both CWTC and CHKDAM as he is a major shareholder of the holding company of CWTC and CHKDAM. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

Details of a continuing connected transaction that is exempt from the independent shareholders' approval requirements but is subject to the reporting and announcement requirements of the Listing Rules are set out as below.

Lease Agreement

On 28th April 2009, the Group, as lessor, entered into a supplementary lease agreement with Guangzhou World Trade Center Club Company Limited ("GWTCCL") as lessee in respect of a business centre and facilities therein located at Goldlion Digital Network Centre, Guangzhou. The lease was renewed subsequently on 4th July 2011, which is for two years commencing from 15th July 2011. During the year, the Group received HK$3,015,000 from GWTCCL as rental and building management fee income under the leases. Mr. Tsang Chi Hung has indirect beneficial interest in GWTCCL as he is a major shareholder of the holding company of GWTCCL. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in this transaction as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

Report of the Directors

Connected transactions *(continued)*

Confirmations

The aforesaid continuing connected transaction has been reviewed by independent non-executive Directors of the Company. The independent non-executive Directors confirmed that the aforesaid connected transaction was entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

PricewaterhouseCoopers, the Company's auditor, was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter thereon containing the findings and conclusions in respect of the continuing connected transaction that is exempt from the independent shareholders' approval requirements but is subject to the reporting and announcement requirements of the Listing Rules disclosed above by the Group in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided to the Stock Exchange.

Financial assistance and guarantees to affiliated companies

There is no advance (including guarantee given by the Company and any of its subsidiaries) which is of non-trading nature to the affiliated companies as at 31st December 2011 under Chapter 13 of the Listing Rules.

Management contracts

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

Major customers and suppliers

During the year, the Group purchased less than 30% from its five largest suppliers, and sold less than 30% of its goods to its five largest customers.

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest (as defined in the Listing Rules) in these major suppliers and customers.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at the latest practicable date prior to the issue of the annual report.

Report of the Directors

Corporate governance

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 16 to 22.

Auditor

The financial statements for the year ended 31st December 2011 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Dr. Tsang Hin Chi
Chairman

Hong Kong, 27th March 2012

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF GOLDLION HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Goldlion Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 85, which comprise the consolidated and company balance sheets as at 31st December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Opinion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27th March 2012

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
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Consolidated Balance Sheet

As at 31st December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Land use rights	6	**15,734**	17,017
Property, plant and equipment	7	**209,223**	208,407
Investment properties	8	**1,963,815**	1,838,348
Deferred income tax assets	18	**40,174**	42,139
		2,228,946	2,105,911
Current assets			
Completed properties held for sale	10	**3,332**	14,712
Inventories	11	**313,269**	144,222
Trade receivables	13	**68,854**	49,831
Prepayments, deposits and other receivables	13	**71,153**	52,279
Bank deposits	14	**666,440**	60,552
Cash and cash equivalents	14	**354,539**	869,108
		1,477,587	1,190,704
Total assets		**3,706,533**	3,296,615
EQUITY			
Capital and reserves attributable to owners of the parent			
Share capital	15	**98,211**	98,211
Reserves	16	**2,668,009**	2,410,594
Proposed final dividend	16	**166,959**	137,496
		2,933,179	2,646,301
Non-controlling interests		**1,311**	1,311
Total equity		**2,934,490**	2,647,612
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	18	**321,299**	277,697
Current liabilities			
Trade payables	17	**92,929**	56,572
Other payables and accruals		**337,641**	295,605
Current income tax liabilities		**20,174**	19,129
		450,744	371,306
Total liabilities		**772,043**	649,003
Total equity and liabilities		**3,706,533**	3,296,615
Net current assets		**1,026,843**	819,398
Total assets less current liabilities		**3,255,789**	2,925,309

On behalf of the Board

Dr. Tsang Hin Chi
Chairman

Mr. Tsang Chi Ming, Ricky
Deputy Chairman and Chief Executive Officer

Balance Sheet

As at 31st December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Subsidiaries	9	**1,499,813**	1,425,455
Current assets			
Prepayments		**172**	172
Cash and cash equivalents	14	**2,180**	83
		2,352	255
Total assets		**1,502,165**	1,425,710
EQUITY			
Capital and reserves attributable to owners of the parent			
Share capital	15	**98,211**	98,211
Reserves	16	**1,236,045**	1,189,153
Proposed final dividend	16	**166,959**	137,496
Total equity		**1,501,215**	1,424,860
LIABILITIES			
Current liabilities			
Accruals		**950**	850
Total equity and liabilities		**1,502,165**	1,425,710
Net current assets/(liabilities)		**1,402**	(595)
Total assets less current liabilities		**1,501,215**	1,424,860

On behalf of the Board

Dr. Tsang Hin Chi
Chairman

Mr. Tsang Chi Ming, Ricky
Deputy Chairman and Chief Executive Officer

Consolidated Income Statement

For the year ended 31st December 2011

	Note	2011 HK$'000	2010 HK$'000
Turnover	5	**1,801,669**	1,497,134
Cost of sales	20	**(769,726)**	(620,137)
Gross profit		**1,031,943**	876,997
Other gains	19	**66,926**	89,828
Selling and marketing costs	20	**(328,241)**	(248,485)
Administrative expenses	20	**(226,584)**	(190,676)
Operating profit		**544,044**	527,664
Interest income		**21,501**	9,296
Profit before income tax		**565,545**	536,960
Income tax expense	24	**(146,151)**	(135,296)
Profit for the year		**419,394**	401,664
Profit attributable to:			
Owners of the parent		**418,547**	400,852
Non-controlling interests		**847**	812
		419,394	401,664
		HK cents	HK cents
Earnings per share for profit attributable to owners of the parent during the year			
– basic	27	**42.62**	40.86
– diluted	27	**42.62**	40.82

Details of dividends payable to owners of the parent attributable to the profit for the year are set out in note 26.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**419,394**	401,664
Other comprehensive income		
Exchange differences on translation of financial statements of overseas subsidiaries	**89,307**	43,510
Total comprehensive income for the year	**508,701**	445,174
Attributable to:		
Owners of the parent	**507,854**	444,362
Non-controlling interests	**847**	812
Total comprehensive income for the year	**508,701**	445,174

Consolidated Statement of Changes in Equity

For the year ended 31st December 2011

	Attributable to owners of the parent							
	Share capital HK$'000	Share premium HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Treasury shares HK$'000	Total HK$'000
Balance at 1st January 2010	98,211	1,002,662	205,015	1,084,839	2,390,727	1,311	(3,147)	2,388,891
Appropriation to reserves	–	–	7,688	(7,688)	–	–	–	–
Employee share-based compensation benefits (note 21)	–	–	740	–	740	–	–	740
Vesting of shares of Share Award Scheme (note 21(a))	–	–	(3,147)	–	(3,147)	–	3,147	–
Final dividend relating to 2009	–	–	–	(117,633)	(117,633)	–	–	(117,633)
Interim dividend relating to 2010	–	–	–	(68,748)	(68,748)	(812)	–	(69,560)
Total comprehensive income for the year	–	–	43,510	400,852	444,362	812	–	445,174
	–	–	48,791	206,783	255,574	–	3,147	258,721
Balance at 31st December 2010	98,211	1,002,662	253,806	1,291,622	2,646,301	1,311	–	2,647,612
Balance at 1st January 2011	**98,211**	**1,002,662**	**253,806**	**1,291,622**	**2,646,301**	**1,311**	**–**	**2,647,612**
Appropriation to reserves	**–**	**–**	**10,565**	**(10,565)**	**–**	**–**	**–**	**–**
Transfer from capital reserve to retained earnings	**–**	**–**	**(380)**	**380**	**–**	**–**	**–**	**–**
Final dividend relating to 2010	**–**	**–**	**–**	**(137,496)**	**(137,496)**	**–**	**–**	**(137,496)**
Interim dividend relating to 2011	**–**	**–**	**–**	**(83,480)**	**(83,480)**	**(847)**	**–**	**(84,327)**
Total comprehensive income for the year	**–**	**–**	**89,307**	**418,547**	**507,854**	**847**	**–**	**508,701**
	–	**–**	**99,492**	**187,386**	**286,878**	**–**	**–**	**286,878**
Balance at 31st December 2011	**98,211**	**1,002,662**	**353,298**	**1,479,008**	**2,933,179**	**1,311**	**–**	**2,934,490**

Consolidated Cash Flow Statement

For the year ended 31st December 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash generated from operations	28	**386,747**	466,865
Income tax paid		**(108,752)**	(130,756)
Net cash generated from operating activities		**277,995**	336,109
Cash flows from investing activities			
Additions to completed properties held for sale		**–**	(943)
Additions to investment properties	8	**(7,207)**	(3,743)
Purchase of property, plant and equipment	7	**(21,392)**	(12,925)
Proceeds from disposal of an investment property	28(a)	**10,361**	–
Proceeds from disposals of property, plant and equipment	28(b)	**426**	511
Increase in bank deposits with maturity over 3 months		**(605,888)**	(60,552)
Interest received		**21,501**	9,296
Net cash used in investing activities		**(602,199)**	(68,356)
Cash flows from financing activities			
Dividends paid to owners of the parent		**(220,976)**	(186,381)
Dividends paid to non-controlling shareholders of subsidiaries		**(847)**	(812)
Net cash used in financing activities		**(221,823)**	(187,193)
Net (decrease)/increase in cash and cash equivalents		**(546,027)**	80,560
Cash and cash equivalents at 1st January		**869,108**	775,226
Effect of foreign exchange rate changes		**31,458**	13,322
Cash and cash equivalents at 31st December	14	**354,539**	869,108

Notes to the Financial Statements

For the year ended 31st December 2011

1 General information

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 9 to the financial statements.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 7th floor, Goldlion Holdings Centre, 13–15 Yuen Shun Circuit, Siu Lek Yuen, Shatin, Hong Kong SAR.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 27th March 2012.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December.

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) *Revised standard adopted by the Group*

The following revised standard is mandatory for the financial year beginning on or after 1st January 2011.

- HKAS 24 (Revised), 'Related party disclosures' is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  – The name of the government and the nature of their relationship; and

  – The nature and amount of any individually significant transactions; and

  – The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party. The Group has applied HKAS 24 (Revised) from 1st January 2011. This revised standard does not have significant impact on the Group's consolidated financial statements for the year ended 31st December 2011.

Notes to the Financial Statements

For the year ended 31st December 2011

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) Amendments to standards and interpretations mandatory for the first time for the financial year beginning 1st January 2011 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

The following amendments to standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2011, but not relevant to the Group.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1st January 2011
HKAS 27 (Amendment)	Consolidated and separate financial statements	1st July 2010
HKAS 32 (Amendment)	Classification of rights issues	1st February 2010
HKAS 34 (Amendment)	Interim financial reporting	1st January 2011
HKFRS 1 (Amendment)	First time adoption of Hong Kong Financial Reporting Standards	1st January 2011
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1st July 2010
HKFRS 3 (Amendment)	Business combinations	1st July 2010
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1st January 2011
HK(IFRIC) – Int 13 (Amendment)	Customer loyalty programmes	1st January 2011
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement	1st January 2011
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments	1st July 2010

Notes to the Financial Statements

For the year ended 31st December 2011

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1st January 2011 and have not been early adopted

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of financial statements	1st July 2012
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1st January 2012
HKAS 19 (Amendment)	Employee benefits	1st January 2013
HKAS 27 (Revised)	Separate financial statements	1st January 2013
HKAS 28 (Revised)	Associates and joint ventures	1st January 2013
HKAS 32 (Amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1st January 2014
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1st July 2011
HKFRS 7 (Amendment)	Disclosures – Transfers of financial assets	1st July 2011
HKFRS 7 (Amendment)	Financial instruments: Disclosures – Offsetting financial assets and financial liabilities	1st January 2013
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1st January 2015
HKFRS 9	Financial Instruments	1st January 2015
HKFRS 10	Consolidated financial statements	1st January 2013
HKFRS 11	Joint arrangements	1st January 2013
HKFRS 12	Disclosures of interests in other entities	1st January 2013
HKFRS 13	Fair value measurement	1st January 2013
HK(IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1st January 2013

The Group plans to adopt the above new standards, amendments and interpretations when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments and interpretations to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

2.2 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the parent are reclassified to income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in income statement.

2.5 Property, plant and equipment

Land and buildings comprise mainly factories, retail outlets and offices other than investment properties as mentioned in note 2.7. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortization from the time when the land interest becomes available for its intended use. Amortization on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Remaining lease term
Buildings	2% to 5%
Plant and machinery	10% to 20%
Furniture and fixtures	20% to 33%
Computers	20% to 33%
Motor vehicles	20% to 25%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Land use rights

Land use rights are stated at cost less accumulated amortization and accumulated impairment losses. Cost mainly represents consideration paid for the rights to use the land on which plants and buildings are situated for a period of 50 to 70 years from the dates the respective rights were granted. Amortization of land use right is calculated on a straight-line basis over the period of the rights.

2.7 Investment properties

Investment properties are held for long-term rental yields and are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Investment properties are measured initially at its cost, including related transaction costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other gains.

Land held under operating leases are classified and accounted for as investment properties when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

2.8 Impairment of investments in subsidiaries and non-financial assets

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realizable value. Cost comprises land use rights and development costs attributable to the unsold properties. Net realizable value is the estimated selling price in the ordinary course of business less selling expenses.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realizable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Notes to the Financial Statements

For the year ended 31st December 2011

2 Summary of significant accounting policies *(continued)*

2.11 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.13 Share capital

Ordinary shares are classified as equity. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the parent until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the parent.

2.14 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Financial Statements

For the year ended 31st December 2011

2 Summary of significant accounting policies *(continued)*

2.15 Current and deferred income tax *(continued)*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognized until the time of leave.

(b) Profit sharing and bonus plans

The expected cost of profit sharing and bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within the next twelve months and are measured at the amounts expected to be paid when they are settled.

(c) Equity compensation benefits

For awarded shares granted under the Employees' Share Award Scheme, the fair value of the employee services received in exchange for the grant of the awarded shares is recognized as an expense and credited to an employee share-based compensation reserve under equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the awarded shares awarded and purchased.

At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in income statement over the remaining vesting period, with a corresponding adjustment to the employee share-based compensation reserve.

When the awarded shares purchased with contributions paid to the Employee Share Trust are vested, the related cost of the vested shares is released from the employee share-based compensation reserve to eliminate the related amount of shares held for Share Award Scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2011

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Employee benefits *(continued)*

(d) Pension obligations

The Group operates defined contribution retirement schemes which are available for all qualified employees in Hong Kong and Singapore. The assets of the schemes are held separately from those of the Group in independently administered funds. For the retirement schemes for Hong Kong and Singapore employees, monthly contributions made by the Group and the employees are calculated as a fixed percentage of the employees' basic salaries or a fixed sum for each employee where appropriate. Contributions to these schemes by the Group are expensed as incurred and/or are reduced by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also participates in the employee pension schemes operated by the municipal governments of various cities in China Mainland and is required to make annual contributions in the range of 19% to 32% of annual payroll costs to these schemes. The municipal governments are responsible for the entire pension obligations payable to retired employees. The only obligation of the Group is to pay the ongoing required contribution under these schemes. The contributions are charged to the income statement as incurred.

2.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods – wholesale

Sales of goods are recognized when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Sales of goods – retail

Sales of goods are recognized when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in selling and marketing costs.

(c) Sales of properties

Revenue from sales of properties is recognized when a group entity has delivered the relevant properties to the purchaser and collectibility of related receivable is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheets under current liabilities.

(d) Gross rental income from investment properties

Gross rental income from investment properties is recognized on a straight-line basis over the periods of the respective leases.

Notes to the Financial Statements

For the year ended 31st December 2011

2 Summary of significant accounting policies *(continued)*

2.17 Revenue recognition *(continued)*

(e) Licensing income and building management fee

Licensing income and building management fee income are recognized on an accrual basis in accordance with the substance of the relevant agreements.

(f) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

2.18 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for land use rights, are charged to the income statement on a straight-line basis over the period of the lease.

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders for final dividend and Board of Directors for interim dividend.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest-rate risk and credit risk.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is the risk that the value of an asset, liability or highly probable forecast transaction denominated in foreign currency will fluctuate because of changes in foreign exchange rates. The Group operates in various regions and is exposed to foreign exchange risk primarily arising from bank deposits and cash and cash equivalents which are denominated in Renminbi and Singapore dollar, and net investments in foreign subsidiaries in China Mainland and Singapore.

At 31st December 2011, if Hong Kong dollar had weakened/strengthened by 4% against Renminbi with all other variables held constant, post-tax profit for the year would have been HK$4,712,000 (2010: HK$9,511,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi denominated bank deposits and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2011

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

Management estimated that a 1% appreciation/depreciation of Singapore dollar against Hong Kong dollar would not have a material effect on the Group's post-tax profit for the year. Therefore, no sensitivity analysis for Singapore dollar is presented.

(ii) Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates, except for the interest income derived from bank deposits. Apart from the bank deposits, the Group has no significant interest bearing assets or liabilities.

(b) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is managed on a group basis and individual basis. Credit risk arises from cash and cash equivalents and deposits with banks, credit exposures to wholesale and retail customers and other parties, including outstanding receivables and deposits and other receivables. Impairment provisions are made for losses that have been incurred at the balance sheet date.

The Group limits its exposure to credit risk by rigorously selecting the counterparties including the deposits-takers and debtors and by diversification. Bank deposits are placed only with major and sizeable banks approved by the Board from time to time and there was no significant concentration risk to a single counterparty.

The Group mitigates its exposure to risks relating to trade receivables by its established procedures in granting credit only to customers with sound credit track records. Sales to retail customers are settled in cash or using major credit cards. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

As at 31st December 2011, the financial assets of the Group that are exposed to credit risk and their maximum exposure are as follows:

	31st December 2011		31st December 2010	
	Carrying amount in balance sheet HK$'000	**Maximum exposure to credit risk HK$'000**	Carrying amount in balance sheet HK$'000	Maximum exposure to credit risk HK$'000
Financial assets:				
Trade receivables	**68,854**	**68,854**	49,831	49,831
Deposits and other receivables	**26,194**	**26,194**	9,506	9,506
Bank deposits and cash and cash equivalents	**1,020,979**	**1,020,870**	929,660	929,536

Notes to the Financial Statements

For the year ended 31st December 2011

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Company employs projected cash flow analysis to manage liquidity risk by forecasting the amount of cash required and monitoring the working capital of the Group to ensure that all liabilities due and known funding requirements could be met. In addition, banking facilities have been put in place for contingency purposes. As at 31st December 2011, the Group's total available banking facilities amounted to HK$21,490,000 (2010: HK$20,300,000).

The table below analyzes the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Trade payables, other payables and accruals	
	2011	2010
	HK$'000	HK$'000
Less than 1 year	**393,815**	322,314

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Notes to the Financial Statements

For the year ended 31st December 2011

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

(b) Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(c) Write-down of inventories to net realizable value

Net realizable value of inventories is the estimated selling prices in the ordinary course of business, less estimated selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of change in customer taste and competitor actions in response to severe industry cycle. The Group reassesses these estimates at each balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2011

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(d) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management's estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to properties but also to other assets used in the production or supply process.

Certain 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 can be sold separately (or leased out separately under a finance lease), the portions are accounted for separately. If the portions cannot be sold separately, the property is accounted for as 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 applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

Notes to the Financial Statements

For the year ended 31st December 2011

5 Operating segment

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

Apparel in China Mainland and Hong Kong SAR – Distribution and manufacturing of garments, leather goods and accessories and licensing of brand name in China Mainland and Hong Kong SAR.

Apparel in Singapore and Malaysia – Distribution and manufacturing of garments, leather goods and accessories in Singapore and Malaysia.

Property investment and development – Investment in and development of properties in China Mainland and Hong Kong SAR.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2011

5 OPERATING SEGMENT *(continued)*

(a) An analysis of the Group's reportable segment profit before taxation and other selected financial information for the year by operating segment is as follows:

	2011					
	Apparel in China Mainland and Hong Kong SAR HK$'000	Apparel in Singapore and Malaysia HK$'000	Property investment and development HK$'000	Segment total HK$'000	(Elimination)/ unallocated HK$'000	Group HK$'000
Turnover	1,448,140	160,528	193,001	1,801,669	–	1,801,669
Inter-segment sales	–	–	6,731	6,731	(6,731)	–
	1,448,140	160,528	199,732	1,808,400	(6,731)	1,801,669
Segment results	409,685	15,348	182,096	607,129		607,129
Unallocated costs						(41,584)
Profit before income tax						565,545
Income tax expense						(146,151)
Profit for the year						419,394
Interest income	10,494	268	9,447	20,209	1,292	21,501
Depreciation of property, plant and equipment	18,392	1,876	6,624	26,892	–	26,892
Amortization of land use rights	1,468	–	365	1,833	–	1,833
Reportable segment assets:						
Property, plant and equipment	117,155	23,307	62,685	203,147	6,076	209,223
Investment properties	–	–	1,963,815	1,963,815	–	1,963,815
Deferred income tax assets	–	–	–	–	40,174	40,174
Inventories	262,525	50,744	–	313,269	–	313,269
Bank deposits and cash and cash equivalents	539,121	74,222	405,456	1,018,799	2,180	1,020,979
Others	104,261	30,004	23,653	157,918	1,155	159,073
Reportable segment liabilities:						
Trade payables	79,881	12,998	50	92,929	–	92,929
Other payables and accruals	242,734	10,760	54,157	307,651	29,990	337,641
Current income tax liabilities	–	–	–	–	20,174	20,174
Deferred income tax liabilities	–	–	–	–	321,299	321,299
Additions to non-current assets	10,679	2,491	15,429	28,599	–	28,599

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2011

5 OPERATING SEGMENT *(continued)*

(a) An analysis of the Group's reportable segment profit before taxation and other selected financial information for the year by operating segment is as follows: *(continued)*

	2010					
	Apparel in China Mainland and Hong Kong SAR HK$'000	Apparel in Singapore and Malaysia HK$'000	Property investment and development HK$'000	Segment total HK$'000	(Elimination)/ unallocated HK$'000	Group HK$'000
Turnover	1,151,803	141,235	204,096	1,497,134	–	1,497,134
Inter-segment sales	–	–	5,256	5,256	(5,256)	–
	1,151,803	141,235	209,352	1,502,390	(5,256)	1,497,134
Segment results	349,401	11,661	213,188	574,250		574,250
Unallocated costs						(37,290)
Profit before income tax						536,960
Income tax expense						(135,296)
Profit for the year						401,664
Interest income	4,765	198	3,966	8,929	367	9,296
Depreciation of property, plant and equipment	19,296	1,754	3,679	24,729	–	24,729
Amortization of land use rights	1,407	–	182	1,589	–	1,589
Impairment of property, plant and equipment	129	–	–	129	–	129
Reportable segment assets:						
Property, plant and equipment	120,984	21,449	58,923	201,356	7,051	208,407
Investment properties	–	–	1,838,348	1,838,348	–	1,838,348
Deferred income tax assets	–	–	–	–	42,139	42,139
Inventories	89,054	55,168	–	144,222	–	144,222
Bank deposits and cash and cash equivalents	511,274	64,499	353,804	929,577	83	929,660
Others	77,136	25,552	29,902	132,590	1,249	133,839
Reportable segment liabilities:						
Trade payables	36,578	19,927	67	56,572	–	56,572
Other payables and accruals	196,596	12,837	58,667	268,100	27,505	295,605
Current income tax liabilities	–	–	–	–	19,129	19,129
Deferred income tax liabilities	–	–	–	–	277,697	277,697
Additions to non-current assets	10,388	1,399	4,881	16,668	–	16,668

Central costs (mainly costs of support functions that centrally provide services to all of the operating segments) are included as unallocated costs that are used by the chief operating decision-maker for the purposes of resources allocation and assessment of segment performance. Performance is measured based on segment results. Taxation charge is not allocated to reportable segments.

Notes to the Financial Statements

For the year ended 31st December 2011

5 Operating segment *(continued)*

(b) Geographical information

The Group's income from external customers is derived from the following geographical areas:

	2011 HK$'000	2010 HK$'000
China Mainland	**1,606,755**	1,323,883
Hong Kong SAR	**34,386**	32,016
Singapore and Malaysia	**160,528**	141,235
	1,801,669	1,497,134

The Group's non-current assets (excluding deferred income tax assets) by geographical location are detailed below:

	2011 HK$'000	2010 HK$'000
China Mainland	**1,623,002**	1,536,070
Hong Kong SAR	**542,463**	506,253
Singapore and Malaysia	**23,307**	21,449
	2,188,772	2,063,772

(c) Information about major customers

In 2011 and 2010, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

(d) Analysis of turnover by category

	2011 HK$'000	2010 HK$'000
Sales of goods	**1,537,802**	1,235,479
Gross rental income from investment properties	**122,437**	118,423
Sales of properties	**33,942**	53,703
Building management fee	**36,621**	31,970
Licensing income	**70,867**	57,559
	1,801,669	1,497,134

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2011

6 LAND USE RIGHTS – GROUP

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

	2011	2010
	HK$'000	HK$'000
Outside Hong Kong, held on:		
Leases of over 50 years	**673**	703
Leases of between 10 to 50 years	**15,061**	16,314
	15,734	17,017

	2011	2010
	HK$'000	HK$'000
At 1st January	**17,017**	13,701
Exchange difference	**525**	191
Transfer from investment properties	**–**	4,714
Transfer from completed properties held for sale	**25**	–
Amortization of prepaid operating lease payment (note 20)	**(1,833)**	(1,589)
At 31st December	**15,734**	17,017

Notes to the Financial Statements

For the year ended 31st December 2011

7 Property, plant and equipment – Group

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Computers HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st January 2010						
Cost	245,619	51,770	78,573	25,483	19,415	420,860
Accumulated depreciation	(92,200)	(39,873)	(61,742)	(19,659)	(14,469)	(227,943)
Net book amount	153,419	11,897	16,831	5,824	4,946	192,917
Year ended 31st December 2010						
Opening net book amount	153,419	11,897	16,831	5,824	4,946	192,917
Additions	–	212	1,863	3,593	7,257	12,925
Disposals	–	–	(29)	(25)	(48)	(102)
Transfer from investment properties	24,170	–	–	–	–	24,170
Depreciation	(9,564)	(4,100)	(4,850)	(3,401)	(2,814)	(24,729)
Impairment charge	–	(129)	–	–	–	(129)
Exchange differences	2,365	283	471	145	91	3,355
Closing net book amount	170,390	8,163	14,286	6,136	9,432	208,407
At 31st December 2010						
Cost	273,813	53,135	65,264	28,857	23,265	444,334
Accumulated depreciation	(103,423)	(44,972)	(50,978)	(22,721)	(13,833)	(235,927)
Net book amount	170,390	8,163	14,286	6,136	9,432	208,407
Year ended 31st December 2011						
Opening net book amount	**170,390**	**8,163**	**14,286**	**6,136**	**9,432**	**208,407**
Additions	**–**	**1,196**	**14,508**	**4,015**	**1,673**	**21,392**
Disposals	**–**	**–**	**(16)**	**(83)**	**(183)**	**(282)**
Transfer from completed properties held for sale	**725**	**–**	**–**	**–**	**–**	**725**
Depreciation	**(11,345)**	**(1,952)**	**(5,468)**	**(4,615)**	**(3,512)**	**(26,892)**
Exchange differences	**4,371**	**395**	**532**	**263**	**312**	**5,873**
Closing net book amount	**164,141**	**7,802**	**23,842**	**5,716**	**7,722**	**209,223**
At 31st December 2011						
Cost	**282,216**	**56,647**	**81,582**	**33,396**	**24,527**	**478,368**
Accumulated depreciation	**(118,075)**	**(48,845)**	**(57,740)**	**(27,680)**	**(16,805)**	**(269,145)**
Net book amount	**164,141**	**7,802**	**23,842**	**5,716**	**7,722**	**209,223**

Notes to the Financial Statements

For the year ended 31st December 2011

7 Property, plant and equipment – Group *(continued)*

The net book value of the Group's interests in leasehold land classified as finance lease are analyzed as follows:

	2011 HK$'000	2010 HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**48,367**	49,734

Depreciation expense of HK$5,354,000 (2010: HK$7,250,000) has been expensed in cost of sales, HK$2,495,000 (2010: HK$2,265,000) in selling and marketing costs and HK$19,043,000 (2010: HK$15,214,000) in administrative expenses.

8 Investment properties – Group

	2011 HK$'000	2010 HK$'000
At 1st January	**1,838,348**	1,742,660
Additions	**7,207**	3,743
Disposal	**(7,260)**	–
Transfer from completed properties held for sale	**1,415**	956
Transfer to land use rights, and property, plant and equipment	**–**	(28,884)
Fair value gains (note 19)	**63,825**	89,828
Exchange differences	**60,280**	30,045
At 31st December	**1,963,815**	1,838,348

The investment properties were revalued at 31st December 2011 on an open market value basis by independent professional valuers, S.H. Ng & Co., Ltd., for properties located in Hong Kong and the PRC excluding Shanghai, and Savills Valuation and Professional Services Limited for a property in Shanghai, the PRC. Valuations were performed using income approach by capitalising the rental income having regard to the current rental income from the existing tenancies and the potential future rental income at the current market level. The property in Shanghai is subject to the payment of land premium if there is a change in nature of land which is to be determined by relevant government authorities. In determining its fair value, the Directors have made a best estimation on the amount of the land premium payable with reference to the relevant governmental regulations.

Notes to the Financial Statements

For the year ended 31st December 2011

8 Investment properties – Group *(continued)*

The Group's interests in investment properties are analyzed as follows:

	2011 **HK$'000**	2010 HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**99,000**	90,700
Leases of between 10 to 50 years	**389,970**	359,580
Outside Hong Kong, held on:		
Leases of over 50 years	**24,914**	23,548
Leases of between 10 to 50 years	**1,449,931**	1,364,520
	1,963,815	1,838,348

The period of leases whereby the Group leases out its investment properties under operating leases is 1 month to 180 months.

9 Subsidiaries – Company

	2011 **HK$'000**	2010 HK$'000
Unlisted investments, at cost	**10**	10
Amounts due from subsidiaries	**1,499,803**	1,425,445
	1,499,813	1,425,455

Amounts due from subsidiaries are unsecured, interest free and are not repayable within 12 months from the balance sheet date. The balances represent equity funding by the Company to the respective subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries.

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9 Subsidiaries – Company *(continued)*

The following is a list of principal subsidiaries, which in the opinion of the Directors, are significant to the results and net assets of the Group:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest	
				2011	2010
China Silverlion Limited [(2)]	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	RMB3,613,724	**100%**	100%
Goldlion (China) Limited [(2)]	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	RMB136,000,155	**99.44%**	99.44%
Goldlion Clothes Making Company Limited [(2)]	PRC Equity joint venture	Distribution and manufacturing of garments in the PRC	US$6,934,000	**98.92%**	98.92%
Goldlion Enterprise (Singapore) Pte Limited	Singapore Limited liability company	Distribution of garments in Singapore	10,000 ordinary shares of S$100 each	**100%**	100%
Goldlion Distribution (M) Sdn. Bhd.	Malaysia Limited liability company	Distribution of garments in Malaysia	1,200,000 ordinary shares of MYR1 each	**100%**	100%
Goldlion (Far East) Limited	Hong Kong Limited liability company	Distribution and manufacturing of garments in Hong Kong	2 ordinary shares of HK$100 each and 500,000 non-voting deferred shares of HK$100 each	**100%**	100%
Goldlion Group (BVI) Limited [(1)]	British Virgin Islands Limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of US1 each	**100%**	100%
Goldlion (Guangdong) Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%
Guangzhou Goldlion Investment Consultancy Company Limited [(2)]	PRC Limited liability company	Property holding in the PRC	HK$10,000,000	**100%**	100%
Hallman Properties Limited	British Virgin Islands Limited liability company	Investment holding in the British Virgin Islands	50,000 ordinary shares of US$1 each	**100%**	100%
Renard Investments Limited	British Virgin Islands Limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each and 59,999,998 redeemable shares of HK$1 each	**100%**	100%

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For the year ended 31st December 2011

9 Subsidiaries – Company *(continued)*

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Group's equity interest 2011	Group's equity interest 2010
Meizhou Silver Dip Property Management Limited (2)	PRC Limited liability company	Property management in the PRC	RMB595,000	**100%**	100%
Shenyang Goldlion Commercial Mansion Limited (2)	PRC Limited liability company	Property holding in the PRC	RMB70,000,000	**100%**	100%
Rich Smart Resources Limited	Hong Kong Limited liability company	Property holding in Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%
Smart View Investment Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%
Meizhou Goldlion Corporate Clothing Limited (2)	PRC Limited liability company	Distribution and manufacturing of garments in the PRC	HK$5,000,000	**100%**	100%
Meizhou Goldlion Properties Development Limited (2)	PRC Limited liability company	Property holding and development in the PRC	HK$50,000,000	**100%**	100%
Guangzhou Silver Dip Property Management Company Limited (2)	PRC Limited liability company	Property management in the PRC	HK$1,000,000	**100%**	100%
Shenyang Sliver Dip Property Management Company Limited (2)	PRC Limited liability company	Property management in the PRC	HK$1,000,000	**100%**	100%
Guangzhou Goldlion City Properties Company Limited (2)	PRC Limited liability company	Property holding in the PRC	RMB360,681,188	**100%**	100%
Joint Corporation Limited	Hong Kong Limited liability company	Investment holding in Hong Kong	1 ordinary share of HK$1 each	**100%**	100%

(1) Subsidiary held directly by the Company
(2) English names of the subsidiaries are direct translations of their Chinese registered names

Notes to the Financial Statements

For the year ended 31st December 2011

10 Completed properties held for sale – Group

The Group's interests in completed properties held for sale are analyzed as follows:

	2011 **HK$'000**	2010 HK$'000
Land use rights	**502**	1,368
Development costs	**2,830**	13,344
	3,332	14,712
Outside Hong Kong, held on:		
Leases of over 50 years	**–**	545
Leases of between 10 to 50 years	**3,332**	14,167
	3,332	14,712

The completed properties held for sale are located in the PRC.

11 Inventories – Group

	2011 **HK$'000**	2010 HK$'000
Raw materials	**–**	6,217
Work in progress	**22,345**	13,970
Finished goods	**290,924**	124,035
	313,269	144,222

The cost of inventories recognized as expense and included in cost of sales amounted to HK$722,732,000 (2010: HK$562,859,000) (note 20).

The Group reversed HK$4,118,000 (2010: HK$4,833,000) of previous years' inventory write-down. The amount reversed has been included in cost of sales in the income statement.

Notes to the Financial Statements

For the year ended 31st December 2011

12 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group:

	2011	2010
	HK$'000	HK$'000
Financial assets – Loans and receivables		
Trade receivables	**68,854**	49,831
Deposits and other receivables	**26,194**	9,506
Bank deposits and cash and cash equivalents	**1,020,979**	929,660
Total	**1,116,027**	988,997

	2011	2010
	HK$'000	HK$'000
Financial liabilities, at amortized cost		
Trade payables	**92,929**	56,572
Other payables and accruals	**300,886**	265,742
Total	**393,815**	322,314

Company:

	2011	2010
	HK$'000	HK$'000
Financial assets – Loans and receivables		
Cash and cash equivalents	**2,180**	83

	2011	2010
	HK$'000	HK$'000
Financial liabilities, at amortized cost		
Accruals	**950**	850

The carrying amounts of the financial assets and financial liabilities approximate their fair values.

Notes to the Financial Statements

For the year ended 31st December 2011

13 Trade receivables, prepayments, deposits and other receivables – Group

	2011	2010
	HK$'000	HK$'000
Trade receivables	**69,733**	50,272
Less: provision for impairment	**(879)**	(441)
Trade receivables – net	**68,854**	49,831
Prepayments, deposits and other receivables	**71,153**	52,279
	140,007	102,110

The Group's sales are on cash on delivery, letter of credit or credit terms ranging from 30 days to 90 days after delivery. At 31st December 2011, an ageing analysis of the trade receivables based on invoice date was as follows:

	2011	2010
	HK$'000	HK$'000
1–30 days	**60,882**	44,205
31–90 days	**7,613**	5,592
Over 90 days	**1,238**	475
	69,733	50,272

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers dispersed in China Mainland and Singapore. The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

As of 31st December 2011, trade receivables of HK$6,787,000 (2010: HK$3,032,000) were past due but not impaired. The ageing analysis of these trade receivables is as follows:

	2011	2010
	HK$'000	HK$'000
Overdue less than or up to 3 months	**6,524**	2,942
Overdue over 3 months	**263**	90
	6,787	3,032

Notes to the Financial Statements

For the year ended 31st December 2011

13 Trade receivables, prepayments, deposits and other receivables – Group *(continued)*

As of 31st December 2011, trade receivables of HK$879,000 (2010: HK$441,000) were impaired and provided. The individually impaired receivables mainly relate to wholesalers and department stores. An ageing of these receivables is as follows:

	2011 **HK$'000**	2010 HK$'000
Overdue less than or up to 6 months	**395**	329
Overdue over 6 months	**484**	112
	879	441

The carrying amounts of the Group's trade receivables, prepayments, deposits and other receivable are denominated in the following currencies:

	2011 **HK$'000**	2010 HK$'000
Renminbi	**105,624**	72,110
Singapore dollar	**30,004**	25,552
Hong Kong dollar	**4,379**	4,448
	140,007	102,110

Movements on the provision for impairment of trade receivables are as follows:

	2011 **HK$'000**	2010 HK$'000
At 1st January	**441**	475
Provision for impairment	**419**	234
Receivables written off during the year as uncollectible	**–**	(268)
Exchange differences	**19**	–
At 31st December	**879**	441

The provision for impaired receivables has been included in administrative expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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For the year ended 31st December 2011

13 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES – GROUP *(continued)*

	2011 HK$'000	2010 HK$'000
Purchase deposits (note)	**39,768**	38,547
Prepayments	**5,186**	4,220
General deposits	**5,211**	4,760
Interest receivable	**7,484**	1,505
VAT recoverable	**9,650**	36
Others	**3,854**	3,211
	71,153	52,279

Note:

Purchase deposits represent the amounts paid by the Group in advance to suppliers mainly for the apparel operation in its ordinary course of business.

Prepayments, deposits and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. The Group does not hold any collateral as security.

14 BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Cash at bank and in hand	**156,491**	256,732	**2,180**	83
Bank deposits with maturity less than 3 months	**198,048**	612,376	**–**	–
Cash and cash equivalents as stated in the consolidated cash flow statement	**354,539**	869,108	**2,180**	83
Bank deposits with maturity over 3 months	**666,440**	60,552	**–**	–
Bank deposits and cash and cash equivalents as stated in the balance sheets	**1,020,979**	929,660	**2,180**	83
Maximum exposure to credit risk	**1,020,870**	929,536	**2,180**	83

Notes to the Financial Statements

For the year ended 31st December 2011

14 Bank deposits and cash and cash equivalents *(continued)*

Bank deposits and cash and cash equivalents in the balance sheets are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Renminbi	**916,151**	825,060	**–**	–
Singapore dollar	**74,222**	64,499	**–**	–
Hong Kong dollar	**30,606**	40,101	**2,180**	83
	1,020,979	929,660	**2,180**	83

The conversion of bank balances and cash of the Group denominated in Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the Chinese government.

15 Share capital

	Number of share	**Ordinary Shares HK$**
Authorized:		
Ordinary shares of HK$0.10 each	1,200,000,000	120,000,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each		
As at 31st December 2010 and 2011	982,114,035	98,211,404

(a) At the Extraordinary General Meeting of the Company held on 21st May 2002, a share option scheme was approved and adopted (the "New Option Scheme"). No share options were granted during the year (2010: nil) under the New Option Scheme.

(b) In 2008, a subsidiary of the Company purchased a total of 3,680,000 of the Company's shares from the market at a price of approximately HK$1.63 per share, for a total consideration of approximately HK$6,017,000 (including related transaction costs). The purchased shares were held on trust as treasury shares, which have been awarded to the relevant employee according to the vesting period as set out in the Share Award Scheme (note 21(a)).

Notes to the Financial Statements

For the year ended 31st December 2011

16 Reserves

(a) Group

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Revaluation reserve HK$'000	Other reserves[ii] HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total reserves HK$'000
Balance at 1st January 2011	**1,002,662**	**(23,768)**	**484**	**7,491**	**68,582**	**201,017**	**1,256,468**	**1,291,622**	**2,548,090**
Profit for the year	–	–	–	–	–	–	–	418,547	418,547
Currency translation differences	–	–	–	–	–	89,307	89,307	–	89,307
Total comprehensive income	–	–	–	–	–	89,307	89,307	418,547	507,854
Appropriation to other reserves	–	–	–	–	10,565	–	10,565	(10,565)	–
Transfer from capital reserve to retained earnings	–	(380)	–	–	–	–	(380)	380	–
2010 final dividend paid	–	–	–	–	–	–	–	(137,496)	(137,496)
2011 interim dividend paid	–	–	–	–	–	–	–	(83,480)	(83,480)
Balance at 31st December 2011	**1,002,662**	**(24,148)**	**484**	**7,491**	**79,147**	**290,324**	**1,355,960**	**1,479,008**	**2,834,968**
Representing:									
Reserves	1,002,662	(24,148)	484	7,491	79,147	290,324	1,355,960	1,312,049	2,668,009
2011 final dividend proposed	–	–	–	–	–	–	–	166,959	166,959
	1,002,662	**(24,148)**	**484**	**7,491**	**79,147**	**290,324**	**1,355,960**	**1,479,008**	**2,834,968**

	Share premium HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Employee share-based compensation reserve[i] HK$'000	Revaluation reserve HK$'000	Other reserves[ii] HK$'000	Exchange reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Treasury Shares (note 15(b)) HK$'000	Total reserves HK$'000
Balance at 1st January 2010	1,002,662	(23,768)	484	2,407	7,491	60,894	157,507	1,207,677	1,084,839	(3,147)	2,289,369
Profit for the year	–	–	–	–	–	–	–	–	400,852	–	400,852
Currency translation differences	–	–	–	–	–	–	43,510	43,510	–	–	43,510
Total comprehensive income	–	–	–	–	–	–	43,510	43,510	400,852	–	444,362
Appropriation to other reserves	–	–	–	–	–	7,688	–	7,688	(7,688)	–	–
Employee share-based compensation benefits	–	–	–	740	–	–	–	740	–	–	740
Vesting of shares of Share Award Scheme	–	–	–	(3,147)	–	–	–	(3,147)	–	3,147	–
2009 final dividend paid	–	–	–	–	–	–	–	–	(117,633)	–	(117,633)
2010 interim dividend paid	–	–	–	–	–	–	–	–	(68,748)	–	(68,748)
Balance at 31st December 2010	1,002,662	(23,768)	484	–	7,491	68,582	201,017	1,256,468	1,291,622	–	2,548,090
Representing:											
Reserves	1,002,662	(23,768)	484	–	7,491	68,582	201,017	1,256,468	1,154,126	–	2,410,594
2010 final dividend proposed	–	–	–	–	–	–	–	–	137,496	–	137,496
	1,002,662	(23,768)	484	–	7,491	68,582	201,017	1,256,468	1,291,622	–	2,548,090

Notes to the Financial Statements

For the year ended 31st December 2011

16 Reserves *(continued)*

(a) Group *(continued)*

(i) Employee share-based compensation benefits represent the fair value of employee services estimated to be received in exchange for the grant of the relevant shares awards over the relevant vesting periods, the total of which is based on the fair value of the share awards granted. The amount for each period is determined by spreading the fair value of the share awards over the relevant vesting periods and is recognized as staff costs and related expenses (note 21) with a corresponding increase in the employee share-based compensation reserve.

(ii) Other reserves are attributable to certain subsidiaries established in China Mainland. These reserves, comprising a general reserve fund and an enterprise development fund, are set aside in accordance with the relevant statutory requirements in China Mainland. The amount set aside is determined by the directors of these subsidiaries at their financial year end. The fund can only be used to make up losses incurred, increase registered capital or used for collective welfare of employees.

(b) Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total reserves HK$'000
At 1st January 2011	**1,002,662**	**484**	**1,003,146**	**323,503**	**1,326,649**
2010 final dividend paid	**–**	**–**	**–**	**(137,496)**	**(137,496)**
2011 interim dividend paid	**–**	**–**	**–**	**(83,480)**	**(83,480)**
Profit for the year	**–**	**–**	**–**	**297,331**	**297,331**
At 31st December 2011	**1,002,662**	**484**	**1,003,146**	**399,858**	**1,403,004**
Representing:					
Reserves	**1,002,662**	**484**	**1,003,146**	**232,899**	**1,236,045**
2011 final dividend proposed	**–**	**–**	**–**	**166,959**	**166,959**
	1,002,662	**484**	**1,003,146**	**399,858**	**1,403,004**
At 1st January 2010	1,002,662	484	1,003,146	212,426	1,215,572
2009 final dividend paid	–	–	–	(117,854)	(117,854)
2010 interim dividend paid	–	–	–	(68,748)	(68,748)
Profit for the year	–	–	–	297,679	297,679
At 31st December 2010	1,002,662	484	1,003,146	323,503	1,326,649
Representing:					
Reserves	1,002,662	484	1,003,146	186,007	1,189,153
2010 final dividend proposed	–	–	–	137,496	137,496
	1,002,662	484	1,003,146	323,503	1,326,649

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17 TRADE PAYABLES – GROUP

At 31st December 2011, the ageing analysis of the trade payables based on invoice date was as follows:

	2011 HK$'000	2010 HK$'000
1–30 days	**82,293**	43,519
31–90 days	**7,803**	10,723
Over 90 days	**2,833**	2,330
	92,929	56,572

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2011 HK$'000	2010 HK$'000
Renminbi	**79,897**	36,609
Singapore dollar	**12,998**	19,927
Hong Kong dollar	**34**	36
	92,929	56,572

18 DEFERRED INCOME TAX – GROUP

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2011 HK$'000	2010 HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**(30,985)**	(34,673)
– Deferred income tax assets to be recovered within 12 months	**(9,189)**	(7,466)
	(40,174)	(42,139)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered after more than 12 months	**311,177**	277,697
– Deferred income tax liabilities to be recovered within 12 months	**10,122**	–
	321,299	277,697
Deferred income tax liabilities (net)	**281,125**	235,558

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18 Deferred income tax – Group *(continued)*

The gross movement on the deferred income tax account of the Group is as follows:

	2011 HK$'000	2010 HK$'000
At 1st January	**235,558**	203,598
Deferred taxation charged to consolidated income statement (note 24)	**36,104**	27,826
Exchange difference	**9,463**	4,134
At 31st December	**281,125**	235,558

Deferred income tax assets are recognized for tax losses carry forward to the extent that realization of the related tax benefit through the future taxable profits is probable. The Group has unrecognized tax losses of HK$642,615,000 (2010: HK$589,050,000), of which HK$397,297,000 (2010: HK$352,986,000) and HK$33,533,000 (2010: HK$24,279,000) are subject to agreement by the Inland Revenue Department in Hong Kong and the relevant tax authorities in the PRC, respectively, to carry forward against future taxable income. HK$609,082,000 of unrecognized tax losses (2010: HK$564,924,000) have no expiry date and the remaining losses will expire at various dates up to and including 2016.

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred income tax liabilities

	Accelerated taxation depreciation		Fair values gains		Dividend withholding tax		Others		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
At 1st January	**77,878**	66,587	**185,043**	167,707	**20,837**	19,174	**7,714**	5,750	**291,472**	259,218
Exchange difference	**3,308**	1,436	**7,330**	3,511	**898**	362	**333**	48	**11,869**	5,357
Charged to consolidated income statement	**10,077**	9,855	**10,045**	13,825	**13,433**	11,844	**1,169**	1,916	**34,724**	37,440
Released upon distribution of dividends	**–**	–	**–**	–	**–**	(10,543)	**–**	–	**–**	(10,543)
At 31st December	**91,263**	77,878	**202,418**	185,043	**35,168**	20,837	**9,216**	7,714	**338,065**	291,472

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18 DEFERRED INCOME TAX – GROUP *(continued)*

Deferred income tax assets

	Provisions		Tax losses		Others		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1st January	**(35,264)**	(34,488)	**(737)**	(1,030)	**(19,913)**	(20,102)	**(55,914)**	(55,620)
Exchange difference	**(1,520)**	(760)	**(30)**	(18)	**(856)**	(445)	**(2,406)**	(1,223)
Charged/(credited) to consolidated income statement	**2,875**	(16)	**700**	311	**(2,195)**	634	**1,380**	929
At 31st December	**(33,909)**	(35,264)	**(67)**	(737)	**(22,964)**	(19,913)	**(56,940)**	(55,914)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2011	2010
	HK$'000	HK$'000
Deferred income tax assets	**(40,174)**	(42,139)
Deferred income tax liabilities	**321,299**	277,697
	281,125	235,558

19 OTHER GAINS

	2011	2010
	HK$'000	HK$'000
Fair value gains on investment properties	**63,825**	89,828
Gain on disposal of an investment property	**3,101**	–
	66,926	89,828

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20 Expenses by nature

	2011 HK$'000	2010 HK$'000
Cost of inventories sold	**722,732**	562,859
Cost of properties sold	**13,001**	22,037
Reversal of impairment of inventories	**(3,271)**	(1,615)
Direct operating expenses arising from investment properties that generated rental income	**31,910**	29,477
Operating lease rentals – land and buildings	**79,078**	69,250
Amortization of land use rights (note 6)	**1,833**	1,589
Depreciation of property, plant and equipment (note 7)	**26,892**	24,729
Impairment loss on property, plant and equipment (note 7)	**–**	129
Staff costs including directors' emoluments (note 21)	**231,447**	193,260
Auditors' remuneration	**3,200**	3,090
Advertising and promotion expenses	**138,613**	86,890
Other expenses	**83,773**	73,992
Net exchange gain	**(4,657)**	(6,389)
	1,324,551	1,059,298
Representing:		
Cost of sales	**769,726**	620,137
Selling and marketing costs	**328,241**	248,485
Administrative expenses	**226,584**	190,676
	1,324,551	1,059,298

21 Staff costs, including directors' emoluments

	2011 HK$'000	2010 HK$'000
Staff costs		
– Wages and salaries	**208,543**	173,570
– Retirement benefit costs (note 22)	**22,904**	18,950
– Employee share-based compensation benefits (notes (a) and 15(b))	**–**	740
	231,447	193,260

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21 Staff costs, including directors' emoluments *(continued)*

(a) Employee share-based compensation benefits

On 17th July 2008, the Directors of a subsidiary approved the Share Award Scheme under which awarded shares would be awarded to an employee of the Group in accordance with the terms and conditions of the Share Award Scheme. Pursuant to the rules of the Share Award Scheme, the Group had engaged a trustee, for the purpose of administering the Share Award Scheme and holding the awarded shares before they were vested. The Directors of that subsidiary approved the payment of an aggregate amount of approximately HK$6,017,000 to the trustee for the purchase of 3,680,000 of the Company' shares at a price of approximately HK$1.63 per share. The awarded shares would be awarded to the relevant employee according to the vesting period by September 2010 as set out in the Share Award Scheme.

Movements in the number of awarded shares awarded and their related average fair value were as follows:

	2011	2010
Outstanding at 1st January	**–**	1,840,000
Vested	**–**	(1,840,000)
Outstanding at 31st December	**–**	–

There are no awarded shares outstanding as at 31st December 2010 and 2011.

22 Retirement benefit costs

	2011 **HK$'000**	2010 HK$'000
Defined contribution schemes for:		
Hong Kong employees (note (a))	**332**	423
Singapore employees (note (b))	**4,176**	4,248
China Mainland employees (note (c))	**18,396**	14,279
	22,904	18,950

Notes:

(a) Under the Mandatory Provident Fund (the "MPF") scheme, both the employer and employee have to contribute 5% of the employee's relevant income or HK$1,000, whichever is lower, as mandatory contribution. The employer and employee may further contribute certain percentage of the employee's relevant income, as voluntary contribution.

The amount represents contributions paid and payable by the Group to the MPF scheme totalling HK$332,000 (2010: HK$423,000) without any forfeited contributions (2010: nil). The forfeited contributions represent contributions to the retirement scheme prior to the MPF scheme for those employees who leave prior to vesting fully on the contributions. Contributions totalling HK$48,000 (2010: HK$67,000) payable to the MPF scheme at the year end are included in other payables. There was no unutilized forfeited contribution at year end (2010: nil).

(b) Contributions paid and payable by the Group to the schemes amounted to HK$4,176,000 (2010: HK$4,248,000). Contributions totalling HK$255,000 (2010: HK$945,000) payable to the schemes at the year end are included in other payables. There was no unutilized forfeited contribution at year end (2010: nil).

(c) This represents gross contributions made by the Group to employee pension schemes operated by the municipal governments of various cities in the PRC. There was no contribution payable (2010: nil) to the municipal governments at year end.

Notes to the Financial Statements

For the year ended 31st December 2011

23 Directors' and senior management's emoluments

(a) The remuneration of every Director for the year ended 31st December 2011:

Name of Director	**Fees HK$'000**	**Salary HK$'000**	**Discretionary bonuses HK$'000**	**Others benefits[1] HK$'000**	**Employer's contribution to pension scheme HK$'000**	**Total HK$'000**
Dr. Tsang Hin Chi	**–**	**4,173**	**10,425**	**444**	**–**	**15,042**
Mr. Tsang Chi Ming, Ricky	**–**	**3,581**	**6,516**	**12**	**–**	**10,109**
Madam Wong Lei Kuan	**–**	**1,521**	**2,606**	**42**	**–**	**4,169**
Mr. Ng Ming Wah, Charles	**180**	**–**	**–**	**–**	**–**	**180**
Dr. Lau Yue Sun	**180**	**–**	**–**	**–**	**–**	**180**
Dr. Wong Ying Ho, Kennedy	**180**	**–**	**–**	**–**	**–**	**180**
Mr. Li Ka Fai, David	**180**	**–**	**–**	**–**	**–**	**180**

The remuneration of every Director for the year ended 31st December 2010:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Others benefits[1] HK$'000	Employer's contribution to pension scheme HK$'000	Total HK$'000
Dr. Tsang Hin Chi	–	4,168	9,290	405	–	13,863
Mr. Tsang Chi Ming, Ricky	–	3,530	5,807	12	–	9,349
Madam Wong Lei Kuan	–	1,520	2,323	32	–	3,875
Mr. Ng Ming Wah, Charles	180	–	–	–	–	180
Dr. Lau Yue Sun	180	–	–	–	–	180
Dr. Wong Ying Ho, Kennedy	180	–	–	–	–	180
Mr. Yin, Richard Yingneng[2]	99	–	–	–	–	99
Mr. Li Ka Fai, David[3]	74	–	–	–	–	74

Notes:

(1) Other benefits include medical benefit and retirement benefit costs.

(2) Resigned on 19th July 2010.

(3) Appointed on 3rd August 2010.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2011

23 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) The five individuals whose emoluments were the highest in the Group for the year included two (2010: two) Directors whose emoluments are reflected in the analysis presented in note 23(a) above. The emoluments payable to the remaining three (2010: three) individuals during the year are as follows:

	2011 **HK$'000**	2010 HK$'000
Basic salaries, housing and other allowances	**7,749**	5,866
Bonuses	**53,998**	42,181
Retirement benefit costs	**301**	375
Employee share-based compensation benefits	**–**	740
	62,048	49,162

The emoluments fell within the following band:

	Number of individuals	
	2011	2010
Emolument bands		
HK$4,000,001 – HK$4,500,000	**–**	1
HK$4,500,001 – HK$5,000,000	**1**	–
HK$6,000,001 – HK$6,500,000	**–**	1
HK$6,500,001 – HK$7,000,000	**1**	–
HK$38,500,001 – HK$39,000,000	**–**	1
HK$50,000,001 – HK$50,500,000	**1**	–

(c) Other than disclosed above, no emoluments have been paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors or the five highest paid individuals waived or agreed to waive any emoluments during the year.

Notes to the Financial Statements

For the year ended 31st December 2011

24 Income tax expense

	2011 **HK$'000**	2010 HK$'000
Hong Kong profits tax:		
Current year	**833**	–
Taxation outside Hong Kong:		
Current year	**108,857**	107,318
Under-provision in prior years	**357**	152
	109,214	107,470
Deferred income tax (note 18)	**36,104**	27,826
Total income tax expense	**146,151**	135,296

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

Taxation on profits generated in the PRC has been calculated on the estimated assessable profit for the year at the rate of 25% (2010: 25%). Taxation on profits outside Hong Kong and the PRC has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2011 **HK$'000**	2010 HK$'000
Profit before income tax	**565,545**	536,960
Calculated at a tax on rate of 16.5%	**93,315**	88,598
Effect of different taxation rates in other countries	**35,554**	53,735
Income not subject to tax	**(9,141)**	(17,863)
Expenses not deductible for tax purposes	**4,938**	3,379
Utilization of unrecognized tax losses	**–**	(40)
Tax losses not recognized	**6,951**	6,222
Tax effect of increase in net deferred tax liabilities resulting from increase in tax rate	**119**	98
Withholding tax on profits retained by the PRC subsidiaries	**13,433**	1,301
Others	**982**	(134)
Total income tax expense	**146,151**	135,296

Notes to the Financial Statements

For the year ended 31st December 2011

24 Income tax expense *(continued)*

Corporate withholding income tax on dividend distribution

Under the New CIT Law, corporate withholding income tax is levied on the foreign investor incorporated in Hong Kong for dividend which arises from profit of foreign investment enterprises earned after 1st January 2008 at a tax rate of 5%.

25 Profit attributable to owners of the parent

The profit attributable to owners of the parent is dealt with in the financial statements of the Company to the extent of a profit of HK$297,331,000 (2010: HK$297,679,000).

26 Dividends

	2011 **HK$'000**	2010 HK$'000
2010 interim dividend, paid, of 7.0 HK cents per ordinary share	**–**	68,748
2010 final dividend, paid, of 14.0 HK cents per ordinary share	**–**	137,496
2011 interim dividend, paid, of 8.5 HK cents per ordinary share	**83,480**	–
2011 final dividend, proposed, of 17.0 HK cents per ordinary share (note)	**166,959**	–
	250,439	206,244

Note:

At a meeting held on 27th March 2012, the Directors declared a final dividend of 17.0 HK cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2011.

Notes to the Financial Statements

For the year ended 31st December 2011

27 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by a subsidiary and held as treasury shares (note 15(b)).

	2011	2010
Profit attributable to owners of the parent (HK$'000)	**418,547**	400,852
Weighted average number of shares in issue less shares held for Share Award Scheme (note)	**982,114,035**	981,061,454
Basic earnings per share (HK cents)	**42.62**	40.86

Note:

The awarded shares have been awarded to the relevant employee according to the vesting period by September 2010 as set out in the Share Award Scheme. There are no awarded shares outstanding as at 31st December 2010 and 2011 (note 21(a)).

(b) Diluted

The calculation of diluted earnings per share is based on the Group's profit attributable to owners of the parent of HK$418,547,000 (2010: HK$400,852,000) and the weighted average number of 982,114,035 (2010: 982,114,035) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in issue during the year ended 31st December 2011, and diluted earnings per share is the same as basic earnings per share. In last year, adjustment was made for the effect of all potential dilutive ordinary shares deemed to be transferred to an employee at nil consideration under the Share Award Scheme.

Notes to the Financial Statements

For the year ended 31st December 2011

28 Cash generated from operations

Reconciliation of profit for the year to cash generated from operations:

	2011 HK$'000	2010 HK$'000
Profit for the year	**419,394**	401,664
Adjustments for:		
– Income tax expense (note 24)	**146,151**	135,296
– Amortization of land use rights (note 6)	**1,833**	1,589
– Depreciation of property, plant and equipment (note 7)	**26,892**	24,729
– Interest income	**(21,501)**	(9,296)
– Gain on disposal of an investment property (note 28(a))	**(3,101)**	–
– Gain on disposals of property, plant and equipment (note 28(b))	**(144)**	(409)
– Fair value gains on investment properties	**(63,825)**	(89,828)
– Impairment loss on property, plant and equipment (note 7)	**–**	129
– Employee share-based compensation benefits	**–**	740
Changes in working capital:		
– Inventories	**(169,047)**	16,708
– Trade receivables, prepayments and deposits	**(38,147)**	(31,639)
– Trade and other payables and accruals	**78,393**	(1,999)
– Completed properties held for sale	**9,849**	19,181
Net cash generated from operations	**386,747**	466,865

Notes:

(a) Disposal of an investment property

	2011 HK$'000	2010 HK$'000
Carrying amount (note 8)	**7,260**	–
Gain on disposal of an investment property	**3,101**	–
Proceeds received	**10,361**	–

(b) Disposals of property, plant and equipment

	2011 HK$'000	2010 HK$'000
Net book amount (note 7)	**282**	102
Gain on disposals of property, plant and equipment	**144**	409
Proceeds received	**426**	511

Notes to the Financial Statements

For the year ended 31st December 2011

29 Contingent liabilities – Company

	2011 **HK$'000**	2010 HK$'000
Guarantees for credit facilities given to subsidiaries	**21,490**	42,300

At 31st December 2011 and 2010, none of the subsidiaries had utilized any of the facilities.

30 Commitments

(a) Capital commitments

Capital expenditure of the Group at the balance sheet date but not yet incurred is as follows:

	2011 **HK$'000**	2010 HK$'000
Property, plant and equipment		
Contracted but not provided for	**3,959**	1,477

(b) At 31st December 2011, the Group had future aggregate minimum lease payments receivable and payable under non-cancellable operating leases as follows:

	2011 **HK$'000**	2010 HK$'000
Rental receivables		
– not later than one year	**132,331**	89,208
– later than one year and not later than five years	**82,182**	111,060
– later than five years	**3,384**	14,691
	217,897	214,959
Rental payables		
– not later than one year	**6,217**	5,951
– later than one year and not later than five years	**5,591**	4,079
	11,808	10,030

Payment obligations in respect of operating leases on properties with rentals vary with gross revenues are not included as future minimum lease payments.

The Company did not have any significant commitments at 31st December 2011 (2010: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2011

31 RELATED PARTY TRANSACTIONS – GROUP

(a) The Company is controlled by the Tsang Family (comprising Dr. Tsang Hin Chi, Madam Wong Lei Kuan, Mr. Tsang Chi Ming, Ricky and the other direct descendants of Dr. Tsang Hin Chi and Madam Wong Lei Kuan) which, together with 5.49% of the Company's issued shares held by Tsang Hin Chi Charities (Management) Limited, collectively controlled approximately 68.17% of the Company's issued shares. The remaining 31.83% are widely held.

(b) During the year, the following significant transactions were carried out with related parties:

	2011	2010
	HK$'000	HK$'000
Sales of services		
Rental and building management fee received from related companies	**3,404**	4,259

Note:

Rental and management fee were received from Guangzhou World Trade Center Club Company Limited ("GWTCCL") for lease of a business center and facilities therein located at Goldlion Digital Network Centre amounting to HK$3,015,000 and from China World Trade Corporation ("CWTC") and China Hong Kong Digital Audiovisual Management Company Limited ("CHKDAM") for lease of a unit located at Goldlion Holdings Centre in Hong Kong amounting to HK$31,500 and HK$357,500 respectively. Rental and management fees were charged at rate based on the relevant lease agreement entered. Mr. Tsang Chi Hung has indirect beneficial interest in CWTC, CHKDAM and GWTCCL as he is a major shareholder of the holding company of CWTC, CHKDAM and GWTCCL. Dr. Tsang Hin Chi, Madam Wong Lei Kuan and Mr. Tsang Chi Ming, Ricky are interested in these transactions as Mr. Tsang Chi Hung is a son of Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of Mr. Tsang Chi Ming, Ricky.

(c) Key management compensation

	2011	2010
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**93,858**	77,325
Retirement benefit costs	**352**	422
Employee share-based compensation benefits	**–**	740
	94,210	78,487

Five-Year Financial Summary

Results	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
	Year ended 31st December				
Profit attributable to:					
– Owners of the parent	**418,547**	400,852	298,072	291,453	324,987
– Non-controlling interests	**847**	812	795	789	735
Assets and liabilities					
Total assets	**3,706,533**	3,296,615	3,034,635	2,840,295	2,554,409
Total liabilities	**(772,043)**	(649,003)	(645,744)	(590,505)	(562,352)
Total equity	**2,934,490**	2,647,612	2,388,891	2,249,790	1,992,057

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