丹楓控股有限公司

Dan Form Holdings Company Limited

Stock Code: 271

ANNUAL REPORT 2011

CONTENTS

Corporate Information

DIRECTORS	:	Dai Xiaoming (Chairman and Chief Executive) Kenneth Hiu King Kon (Executive Director and Deputy Chief Executive) Jesse Nai Chau Leung** Xiang Bing** Edward Shen** ** Independent Non-Executive Directors
AUDIT COMMITTEE	:	Jesse Nai Chau Leung (Chairman) Xiang Bing Edward Shen
REMUNERATION COMMITTEE	:	Edward Shen (Chairman) Jesse Nai Chau Leung Xiang Bing
FINANCIAL CONTROLLER	:	Fung Man Yuen
COMPANY SECRETARY	:	Chen Si Ying, Cynthia
AUDITOR	:	PricewaterhouseCoopers
PRINCIPAL BANKERS	:	Industrial and Commercial Bank of China (Asia) Limited Standard Chartered Bank (Hong Kong) Limited
SOLICITORS	:	Stephenson Harwood Hampton, Winter & Glynn
REGISTRARS	:	Tricor Tengis Limited 26/F., Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
REGISTERED OFFICE	:	33/F., Tower A, Billion Centre 1 Wang Kwong Road, Kowloon Bay, Hong Kong
WEBSITE	:	http://www.danform.com.hk

Board of Directors of Dan Form Holdings Company Limited

Mr. Edward Shen *Mr. Kenneth Hiu King Kon* *Mr. Jesse Nai Chau Leung*

Mr. Dai Xiaoming
Chairman and Chief Executive

Dr. Xiang Bing

Chairman's Statement

Mr. Dai Xiaoming
Chairman and Chief Executive

RESULTS

Dan Form Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group") recorded a revenue of HK$42,087,000 for the year ended 31 December 2011, which represented an increase of approximately HK$3,534,000 or 9% as compared with last year. The increase in revenue was mainly due to increase in rental income from investment properties.

The Group's profit attributable to equity holders in this year was HK$526,511,000, as compared to profit of HK$505,947,000 in last year. The increase in profit this year was mainly attributable to increase in fair value of investment properties held by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Hong Kong Business

Property

The Group's residential properties situated at Red Hill Peninsula (33.33% owned) and South Horizons recorded average occupancy levels of approximately 79% and 93% respectively, while the commercial properties situated at Harbour Crystal Centre recorded an average occupancy level of approximately 99%. During the year, the Group's net rental income from property leasing was more than that in the last year.

The Group is currently in discussion for a possible partial or entire sale of the residential properties at Red Hill Peninsula, Tai Tam, Hong Kong. The Group has not reached any specific terms in relation to the potential disposal nor has it entered into any legally binding agreement.

Beijing Business

The Wangfujing Project

Dan Yao Building (85% owned)

Up to 31 December 2011, the first cash distribution from asset sales proposal in respect of the liquidation of Beijing Dan Yao Property Company Limited ("Dan Yao") was completed. The Group is entitled to receive approximately RMB27,126,000 (approximately HK$32,210,000) this time. At present, the relevant procedures for the transfer of the above mentioned amount from Beijing to the Group are being processed.

It is expected that in the year of 2012, the final distribution of Dan Yao's liquidation will be realized, the Group also has an opportunity to recover part of the debts.

Chairman's Statement

The Xidan Project (29.4% owned)

On 18 July 2011, the three shareholders (Beijing Huarong Investment Co. Ltd., China Resources Land (Beijing) Limited and Keen Safe Investment Limited) of the Beijing Jing Yuan Property Development Company Limited ("Jing Yuan"), agreed the Board to approve Jing Yuan to submit an application for the liquidation of Jing Yuan to the Beijing First Intermediate Court, and Jing Yuan will proceed for the liquidation according to the decision of the PRC Court.

GROUP ASSETS POSITION AND CHARGE

The total assets of the Group have increased from HK$3,222,612,000 in last year to HK$3,774,086,000 in this year. The net assets of the Group have also increased from HK$3,111,277,000 to HK$3,643,218,000. At 31 December 2011, the investment properties of the Group in Hong Kong of HK$670,800,000, was pledged as securities for the banking facilities. The Group has no bank loan, but will undergo a discussion with the bank for the renewal of banking facilities and the bank has agreed to provide banking facilities if necessary.

GROUP FINANCIAL POSITION, LIQUIDITY AND FINANCIAL RESOURCES

The total liabilities of the Group have increased from HK$111,335,000 as at 31 December 2010 to HK$130,868,000 as at 31 December 2011. The Group had cash and bank balances of HK$214,922,000 as at 31 December 2011 (2010: HK$187,965,000). The ratio of total liabilities to total assets was approximately 3% (2010: 3%). As at 31 December 2011, the Group had no bank loans (2010: Nil) and the total equity was HK$3,643,218,000 (2010: HK$3,111,277,000).

As at 31 December 2011, the current assets of the Group, amounting to HK$509,391,000 (2010: HK$419,265,000), exceeded its current liabilities by HK$469,384,000 (2010: HK$383,490,000).

For the year ended 31 December 2011, the Group had no material exposure to fluctuations in exchange rates and related hedges and there were no contingent liabilities.

EMPLOYEES

As at 31 December 2011, the Group, excluding associated companies, employed 51 people of which 43 were employed in Hong Kong.

In addition to basic salaries, employees in Hong Kong are provided with medical insurance and some of them are included under a defined contribution provident fund scheme and mandatory provident fund scheme. Employees in the Mainland China are provided with medical insurance, elderly insurance, loss of job insurance, injury insurance and provident fund for housing. Some of them are also provided with birth insurance.

PROSPECTS

There are uncertainty in Hong Kong and in the world's political, economic and social environments and the ups and downs in market may very often happens. To face the situations, the Group will continue to be cautious in managing its finance and pay attention to the factors that may influence the Group's survival and development.

Finally, I would like to take this opportunity to express my sincere thanks to my fellow Directors for their guidance and support and to all members of the staff for their loyalty and dedication during the year.

Dai Xiaoming
Chairman

Hong Kong, 29 March 2012

Investment Properties

The Red Hill, Tai Tam, Hong Kong

The Red Hill, Tai Tam, Hong Kong

The Red Hill, Tai Tam, Hong Kong

Harbour Crystal Centre,
Tsimshatsui East, Kowloon

Investment Properties

Harbour Industrial Centre,
Ap Lei Chau, Hong Kong

Oceanic Industrial Centre,
Ap Lei Chau, Hong Kong

Billion Centre, Kowloon Bay

Billion Centre, Kowloon Bay

Biographic Details of Directors and Senior Management

DIRECTORS

Mr. Dai Xiaoming, *Chairman and Chief Executive*
Aged 65. Appointed as a Director, Chairman and Chief Executive in October, 1994. Awarded a Master's Degree in Engineering from The China University of Science and Technology. He has involved for the past twenty-six years in property development and investment in the PRC and Hong Kong and has over twenty-six years' experience in property investment and corporate management. Currently, he is also a major shareholder and a managing director of Fabulous Investments Limited ("Fabulous") and the sole shareholder of Harlesden Limited, which is the ultimate holding company of Fabulous.

Mr. Kenneth Hiu King Kon, *Executive Director and Deputy Chief Executive*
Aged 50. Appointed as a Director and Deputy Chief Executive in October, 1994. Mr. Kon graduated from Middlesex University in the United Kingdom with a Bachelor's Degree in Business Studies. He has been involved in the planning of many large-scale investment and development projects in the PRC and Hong Kong and has over twenty-five years' experience in investment and management in manufacturing industries and property development. He also has extensive experience in securities trading, corporate finance, mergers and acquisitions and corporate restructuring. He is also the General Manager of Dan Form (Hong Kong) Limited, a wholly-owned subsidiary of the Company.

Mr. Jesse Nai Chau Leung, *Independent Non-Executive Director*
Aged 61. Appointed as a Director in May, 1993. Mr. Leung holds a Master's Degree in Business Administration. He is a fellow of the Institute of Chartered Accountants in England and Wales as well as the Hong Kong Institute of Certified Public Accountants. He has extensive experience in public practice, finance and commerce. He is also a member of the Supervisory Board of The Macau Chinese Bank.

Dr. Xiang Bing, *Independent Non-Executive Director*
Aged 49. Appointed as a Director in May, 1995. Dr. Xiang graduated with a University Golden Medal from Xi'an Jiaotong University, the People's Republic of China, in 1983 and obtained his Ph.D. in Management from the University of Alberta, Canada in 1991. Dr. Xiang is currently the founding dean of Cheung Kong Graduate School of Business. Before joining the Beijing University, Dr. Xiang has served as a faculty at the Hong Kong University of Science and Technology and the China Europe International Business School in Shanghai. Dr. Xiang is a well-known management expert, especially in finance, and he is very familiar with management theories and practice in the East and West. He has extensive experience in executive training and has conducted seminars for several leading executive programs. He has worked with many Chinese and multinational corporations on executive training, merger and acquisition strategies and managerial control systems. He has also been consulted by the China's government organizations responsible for formulating and implementing state enterprise reform in China.

Mr. Edward Shen, *Independent Non-Executive Director*
Aged 61. Appointed as a Director in October, 1995. Mr. Shen graduated from Washington State University in the United States with a Bachelor's Degree in Science in Architectural Studies as well as Bachelor's Degree in Architecture. He is a member of the Royal Architectural Institute of Canada, the Ontario Association of Architects, PRC Class 1 Registered Architect Qualification, the Architectural Society of China, the Royal Institute of British Architects, Asia-Pacific Economic Cooperation Registered Architect and the Chartered Institute of Arbitrators. He is also a fellow of the Hong Kong Institute of Architects and the Architects Regional Council of Asia. He has been registered as an authorised person under the Buildings Ordinance and a professional architect under the Architects Registration Ordinance since 1982 and 1990 respectively. He is also a member of Hong Kong General Chamber of Commerce. He was the President of the Hong Kong Institute of Architects in 2004.

Biographic Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Albert Man Yuen Fung, *Financial Controller*
Aged 63. Joined the Company in September, 1988. Mr. Fung is a holder of Master's Degree in International Accounting (City University of Hong Kong). He is an associate of the Institute of Chartered Secretaries and Administrators and the Chartered Institute of Management Accountants, and a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has over thirty-five years' experience in finance and accounting.

Mr. Ge Xiaoguo, *Assistant to Chief Executive*
Aged 60. Joined the Company in May, 1996. He graduated from Beijing Foreign Studies University. He has been involved in the management of the computer technology development and operation for many years during which time he has worked in Germany for more than four years. He has over twenty-seven years' experience in enterprises management.

Ms. Cynthia Si Ying, Chen, *Company Secretary*
Aged 45. Joined the Company in April, 2011. Ms. Chen holds a Bachelor's Degree in Business Administration and a Master's Degree in Corporate Governance. She is an Associate of The Hong Kong Institute of Chartered Secretaries and an Associate of The Institute of Chartered Secretaries and Administrators. She has more than ten years' extensive experience in the company secretarial practice and has over sixteen years' experience in large well-known enterprises management, during which time she has worked in Singapore for more than three years.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Compliance with Code on Corporate Governance Practices

The Company is committed to maintaining a high standard of corporate governance within a sensible framework. The Company has complied with all the code provisions as set out in Appendix 14 of the Code on Corporate Governance Practices of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2011, except for the following deviation:

Code Provision A.2.1

This Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company applied the principles and complied with all requirements set out in the Code on Corporate Governance Practices, contained in Appendix 14 of the Main Board Listing Rules, except with a deviation from code provision A.2.1. whereby, due to the current situation, the Group has no separation of the role of the chairman and chief executive. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. It is the best interest of the Group to have Mr. Dai Xiaoming remained to be the chairman and chief executive.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding the directors' securities transactions. Following specific enquiry made with all directors, the Company has confirmed that they have complied with the Model Code for the year ended 31 December 2011.

Written guidelines on no less exacting terms than the Model Code relating to securities transaction for employees have been distributed to all employees of the Group.

BOARD OF DIRECTORS

The Board of the Company comprises a total of five directors of which two are executive directors. The chairman and the chief executive is Mr. Dai Xiaoming and the deputy chief executive is Mr. Kenneth Hiu King Kon. The three independent non-executive directors ("INEDs") are Mr. Jesse Nai Chau Leung, Dr. Xiang Bing and Mr. Edward Shen. Mr. Jesse Nai Chau Leung has contributed to the Board his appropriate professional qualifications in accounting and related financial management expertise. Dr. Xiang Bing and Mr. Edward Shen have also contributed to the Board their expertise. On 16 May 2011, the Company issued an appointment letter to Mr. Jesse Nai Chau Leung and Mr. Edward Shen the INEDs in which their appointment would be valid for a period of three years until 15 May 2014. The Company issued an appointment letter to Dr. Xiang Bing the INED in which his appointment would be valid for a period of two years until 15 May 2013. However, they are subject to retirement by rotation at each general meeting pursuant to Article 102 of the Articles of Association of the Company. The Directors participates in the affairs of the Board and the Board always acts in the best interests of the Group as a whole.

Corporate Governance Report

The chairman ensures that the Board works effectively and that all key and appropriate issues are discussed in a timely manner. Members of the Board have been provided with appropriate and sufficient information at an opportune moment so that they would be updated with the latest development of the Group to discharge of their duties. Any matters proposed for inclusion in the agenda has been consulted with all directors. The chairman has delegated to the Company Secretary the responsibility for drawing up the agenda for each Board meeting. The chairman ensures that all directors have received complete and reliable information in a timely manner and are properly briefed on issues arising at the Board meetings. In addition, in order to protect the directors and officers of the Group from their risk exposure arising from the business of the Group, appropriate insurance cover on directors' and officers' liability has been in force.

The Board delegates the day-to-day management and operations of the Group's businesses to the management under the supervision of the chief executive. The chief executive together with deputy chief executive are responsible for managing the businesses of the Group, including implementation of the annual budget and strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group.

As at the financial year ended 31 December 2011, the Board held four meetings on 30 March 2011, 9 June 2011, 29 August 2011 and 18 November 2011.

Members of the Board	**Attendance**
Executive Directors	
Dai Xiaoming *(Chairman and Chief Executive)*	4/4
Kenneth Hiu King Kon *(Deputy Chief Executive)*	4/4
Independent Non-Executive Directors	
Jesse Nai Chau Leung	4/4
Xiang Bing	4/4
Edward Shen	4/4

Apart from the directorship with the Company, there is no other relationship, including financial, business, family or other material/relevant relationship(s), among the five directors of the Board.

Each of the INEDs has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs meet the independence requirements in accordance with the terms of the guidelines.

Corporate Governance Report

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee on 13 September 2005. The Remuneration Committee comprises the chairman, Mr. Edward Shen, being an INED, and the two INEDs, namely Mr. Jesse Nai Chau Leung and Dr. Xiang Bing.

The principle responsibility of the Remuneration Committee includes making recommendation to the Board on the policy and structure of the Company for all remuneration of directors and senior management and reviewing the specific remuneration packages of all executive directors and senior management by reference to corporate goals and objectives resolved by the Board. The emoluments of directors are based on the skill and contribution to the Company's affairs and are determined by reference to the duties and responsibilities of the executive and non-executive directors after considering the performance of the Group and prevailing market conditions including salaries paid by comparable companies. Terms of reference of the Remuneration Committee are available at the website of the Company.

Particulars of the emoluments to the Directors are set out in note 12 of the financial statements.

As at the financial year ended 31 December 2011, one Remuneration Committee Meeting was held on 30 March 2011. The attendance records of each member of the Remuneration Committee is set out as below.

Members of the Remuneration Committee	Attendance
Independent Non-Executive Directors	
Edward Shen *(Chairman)*	1/1
Xiang Bing	1/1
Jesse Nai Chau Leung	1/1

The Remuneration Committee reviewed the remuneration of all staff, including the two executive directors, of the Company and its subsidiaries in the Remuneration Committee Meeting held on 30 March 2011.

EMPLOYEES

The long-term remuneration policy of the Group for all employees is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees.

In addition to basic salaries, employees in Hong Kong are provided with medical insurance and some of them are included under defined contribution provident fund scheme and mandatory provident fund scheme.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements for the Group.

Management has provided adequate explanations and information to the Board on a timely basis which enables the Board to make an informed assessment on the financial statements of the Group. In addition, with the assistance of the Finance Department and under the supervision of the Financial Controller of the Company, the directors ensures that financial statements of the Group, which is prepared on a going concern basis, are in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is on a timely basis.

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee was established on 15 September 1998 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee comprises the Chairman, Mr. Jesse Nai Chau Leung, and other two INEDs, namely Dr. Xiang Bing and Mr. Edward Shen. The revised terms of reference of the Audit Committee are available at the website of the Company.

As at the financial year ended 31 December 2011, two Audit Committee Meetings were held on 30 March 2011 and 29 August 2011 respectively. The attendance records of each member of the Audit Committee is set out as below.

Members of the Audit Committee	**Attendance**
Independent Non-Executive Directors	
Jesse Nai Chau Leung *(Chairman)*	2/2
Xiang Bing	2/2
Edward Shen	2/2

The following is a summary of the work of the Audit Committee:

(i) review and supervision of the financial reporting system of the Group;

(ii) review of the procedures and effectiveness of internal control of the Group;

(iii) review of the Group's financial information;

(iv) review of the relationship between the Auditor and the Company;

(v) review of the financial reports for the year ended 31 December 2010 and for the six months ended 30 June 2011 and for the year ended 31 December 2011;

(vi) review of the annual report of the Group for the year ended 31 December 2011; and

(vii) consideration and approval of the 2011 audit fees.

The Audit Committee has regular meetings twice a year and additional meetings are held as the work of the committee demands.

Corporate Governance Report

NOMINATION OF DIRECTORS

The Board is responsible for reviewing the Board's composition, formulating the relevant procedures for the nomination and appointment of Directors, monitoring the appointment of Directors and assessing the independence of the non-executive Directors. The size, structure and composition of the Board will be reviewed from time to time to ensure that there is an appropriate number of Directors on the Board. During the year under review, the Company had not established a nomination committee and no meeting was held by the Board since there was no nomination of new Director.

INTERNAL CONTROL

The Financial Controller and the Company Secretary of the Group submitted an annual internal control review of the Group to the Board on 29 August 2011. The Board reviewed the effectiveness of the internal control system of the Group. The review covers all material controls, including financial operation and compliance controls and risk management functions, and considers the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The Board considers that the internal control system are effective and adequate.

AUDITOR'S REMUNERATION

For the year ended 31 December 2011, the Auditor of the Company will receive approximately HK$950,000 for the audit of the Group's financial statements.

Report of the Directors

The Directors have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the principal activities of the Group are property investment, property rental and estate management.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 22.

An analysis of the performance of the Group for the year by principal activities are set out in note 6 to the financial statements.

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 72.

DONATIONS

The Group made donations for charitable and other purposes during the year totalling HK$361,000.

DIVIDENDS

The Directors do not recommend the payment of a dividend.

SHARE CAPITAL AND RESERVES

Details of the share capital of the Company are set out in note 25 to the financial statements.

Movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

The Company does not have any distributable reserve calculated under section 79B of the Hong Kong Companies Ordinance.

PRINCIPAL PROPERTIES

Details of the major properties of the Group are set out on page 71.

PROPERTIES, PLANT AND EQUIPMENT

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

Report of the Directors

DIRECTORS

The Directors during the year and at the date of this report are:

Mr. DAI Xiaoming
Mr. Kenneth Hiu King KON
Mr. Jesse Nai Chau LEUNG**
Dr. XIANG Bing**
Mr. Edward SHEN**

** *Independent Non-Executive Directors*

In accordance with Article 102 of the Articles of Association of the Company, Mr. Dai Xiaoming and Mr. Jesse Nai Chau Leung will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

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 by the Company within one year without payment of compensation other than normal statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 8 to 9.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party, and in which any Director or controlling shareholder had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATES

As at 31 December 2011, the interests and short positions of each Director, Chief Executive and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which require notification pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is taken or deemed to have under such provisions of the SFO), or which are required to be entered into the register maintained by the Company under Section 352 of the Part XV of the SFO, or which are required to be 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"):–

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

	Number of ordinary shares				
Name of Director	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total Interest
DAI Xiaoming (Note)	25,300,000	–	427,592,969	–	452,892,969

Note: Mr. Dai Xiaoming ("Mr. Dai") is the beneficial owner of 100% of the issued capital of Harlesden Limited, which is interested in 95% of the issued capital of Dan Form International Limited ("DFIL"). Mr. Dai is deemed to be interested in 2,926,000 ordinary shares of the Company directly held by DFIL and 424,666,969 ordinary shares of the Company indirectly held by DFIL through its indirect subsidiary Fabulous Investments Limited ("Fabulous").

Save as disclosed above, none of the Chief Executive, Directors or their respective associates had any interests or short positions, whether beneficial or non-beneficial, in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

None of the Chief Executive, Directors or their respective associates had short positions in respect of shares, underlying shares or debentures of the Company or any of its associated corporations.

At no time during the year was the Company, its subsidiaries, its associates, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Chief Executive or Directors of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the Chief Executive, Directors or their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

Report of the Directors

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

1. Aggregate long position in the shares and underlying shares of the Company

As at 31 December 2011, so far as is known to the Chief Executive and Directors of the Company, the interests of the substantial shareholders, being 5% or more of the issued share capital of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Note	**Number of ordinary shares held**	**Percentage of the issued share capital of the Company**
DAI Xiaoming	(1)	452,892,969	36.31
Harlesden Limited	(2)	427,592,969	34.28
DFIL	(2)	427,592,969	34.28
Value Plus Holdings Limited	(2)	424,666,969	34.05
Fathom Limited	(2)	424,666,969	34.05
Fabulous	(2)	424,666,969	34.05
Nina KUNG (deceased)	(3)	287,989,566	23.09
Greenwood International Limited	(3)	269,603,616	21.61
Sinotrans & CSC Holdings Co., Ltd.	(4)	100,120,668	8.03
Focus-Asia Holdings Limited	(4)	100,120,668	8.03

Notes:

(1) Mr. Dai was beneficially interested in a total of 452,892,969 ordinary shares in the Company, including the interests held through various companies under his control (see note (2) below). These interests are the same as those disclosed under "Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporation" above.

(2) By virtue of SFO, Harlesden Limited, DFIL, Value Plus Holdings Limited and Fathom Limited, being holding companies of Fabulous, are deemed to be interested in the 424,666,969 ordinary shares in the Company beneficially held by Fabulous. Harlesden Limited, being the holding company of DFIL, is also deemed to be interested in the 2,926,000 ordinary shares in the Company beneficially held by DFIL. Mr. Dai has a controlling interest in each of the aforesaid companies.

(3) Greenwood International Limited ("Greenwood") was beneficially interested in approximately 21.61% of the issued share capital of the Company. Ms. Nina Kung, deceased, was beneficially interested in a total of 287,989,566 ordinary shares in the Company, through shareholdings in companies (including Greenwood) controlled by her, representing approximately 23.09% of the issued share capital of the Company. Ms. Nina Kung passed away on 3 April 2007.

(4) Focus-Asia Holdings Limited ("Focus-Asia") was beneficially interested in a total of 100,120,668 ordinary shares in the Company. Sinotrans & CSC Holdings Co., Ltd., being the holding company of Focus-Asia, is deemed to be interested in the 100,120,668 ordinary shares in the Company beneficially held by Focus-Asia.

Report of the Directors

2. Aggregate short position in the shares and underlying shares of the Company

As at 31 December 2011, the Company had not been notified of any short position being held by any substantial equity holders or other persons in the shares or underlying shares of the Company.

Save as disclosed above, as at 31 December 2011, the Company has not been notified of any interest or short position in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

MAJOR CUSTOMERS AND SUPPLIERS

The turnover attributable to the largest and the five largest customers accounted for 15% and 54% respectively of the total turnover of the Group for the year.

Purchases attributable to the largest and the five largest suppliers accounted for 39% and 81% respectively of the total purchases of the Group for the year.

None of the Directors, their associates or those shareholders who, to the knowledge of the Directors, own more than 5% of the Company's share capital, had interest in any of the five largest customers or suppliers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Rules Governing the Listing of Securities on the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee comprises three Independent Non-Executive Directors, Mr. Jesse Nai Chau Leung, Dr. Xiang Bing and Mr. Edward Shen. During the year, the Audit Committee has discussed financial reporting matters with management, including the review of the Group's financial reporting process, the adequacy and effectiveness of the system of internal control of the Group, and the interim and annual financial statements of the Group.

The annual results of the Group for the year ended 31 December 2011 have been reviewed by the Audit Committee.

Report of the Directors

CORPORATE GOVERNANCE

The Company's corporate governance report are set out on pages 10 to 14 of this Annual Report.

AUDITOR

The financial statements have been audited by PricewaterhouseCoopers who retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Dai Xiaoming
Chairman

Hong Kong, 29 March 2012

Independent Auditor's Report

TO THE SHAREHOLDERS OF DAN FORM HOLDINGS COMPANY LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Dan Form Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 22 to 70, which comprise the consolidated and Company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 as to 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 31 December 2011, and of the profit and cash flows of the Group 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, 29 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	6	**42,087**	38,553
Other income	7	**33,942**	1,284
Other gains	8	**23,325**	864
Rent and rates		**(237)**	(3,091)
Building management fees		**(5,119)**	(4,855)
Staff costs, including directors' remuneration	9	**(14,812)**	(13,523)
Depreciation and amortisation		**(5,152)**	(4,132)
Repairs and maintenance		**(674)**	(1,222)
Administrative expenses		**(8,642)**	(7,478)
Change in fair value of investment properties	18	**91,047**	71,356
Operating profit	10	**155,765**	77,756
Share of profits of associated companies	13	**386,810**	440,998
Profit before income tax		**542,575**	518,754
Income tax expenses	14	**(16,064)**	(12,807)
Profit for the year		**526,511**	505,947
		HK cents	HK cents
Earnings per share			
Basic and diluted	16	**42.21**	40.6

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Profit for the year		**526,511**	505,947
Other comprehensive income/(loss):			
Surplus on revaluation of buildings	17	**1,805**	–
Less: Deferred tax charged to the property revaluation reserve	27	**(297)**	–
Available-for-sale financial assets:			
Fair value gain/(loss) arising during the year		**25,449**	(1,789)
Less: Reclassification adjustment for gains included in the consolidated income statement	8	**(21,893)**	–
Exchange differences		**366**	412
Other comprehensive income/(loss) for the year, net of tax		**5,430**	(1,377)
Total comprehensive income for the year		**531,941**	504,570

Consolidated Balance Sheet

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**94,484**	67,042
Investment properties	18	**717,337**	618,124
Leasehold land	19	**3,750**	3,810
Associated companies	21	**2,413,557**	2,086,898
Available-for-sale financial assets	22	**29,892**	27,473
Deposit for acquisition of a property		**5,675**	–
		3,264,695	2,803,347
Current assets			
Debtors, prepayments, deposits and other receivable	23	**41,129**	12,305
Amounts due from associated companies	21	**253,324**	218,953
Income tax recoverable		**16**	42
Cash and bank balances	24	**214,922**	187,965
		509,391	419,265
Total assets		**3,774,086**	3,222,612
EQUITY			
Share capital	25	**623,649**	623,649
Reserves	26	**3,019,569**	2,487,628
Total equity		**3,643,218**	3,111,277
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	27	**90,861**	75,560
Current liabilities			
Creditors and accruals	28	**21,570**	19,933
Amounts due to associated companies	21	**18,437**	15,179
Income tax payable		**–**	663
		40,007	35,775
Total liabilities		**130,868**	111,335
Total equity and liabilities		**3,774,086**	3,222,612
Net current assets		**469,384**	383,490
Total assets less current liabilities		**3,734,079**	3,186,837

Dai Xiaoming
Director

Kenneth Hiu King Kon
Director

Balance Sheet

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**9,450**	12,566
Subsidiaries	20	**302,757**	329,946
Available-for-sale financial assets	22	**8,699**	8,714
		320,906	351,226
Current assets			
Debtors, prepayments, deposits and other receivable	23	**32,953**	1,510
Amounts due from subsidiaries	20	**140,000**	140,000
Income tax recoverable		**–**	42
Cash and bank balances	24	**197,377**	161,535
		370,330	303,087
Total assets		**691,236**	654,313
EQUITY			
Share capital	25	**623,649**	623,649
Reserves	26	**63,798**	27,579
Total equity		**687,447**	651,228
LIABILITIES			
Current liabilities			
Creditors and accruals	28	**3,447**	2,738
Amounts due to subsidiaries	20	**342**	347
Total liabilities		**3,789**	3,085
Total equity and liabilities		**691,236**	654,313
Net current assets		**366,541**	300,002
Total assets less current liabilities		**687,447**	651,228

Dai Xiaoming
Director

Kenneth Hiu King Kon
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital HK$'000	Reserves HK$'000	Total HK$'000
At 1 January 2010	623,649	1,983,058	2,606,707
Total comprehensive income for the year	–	504,570	504,570
At 31 December 2010	623,649	2,487,628	3,111,277
Total comprehensive income for the year	–	531,941	531,941
At 31 December 2011	**623,649**	**3,019,569**	**3,643,218**

Consolidated Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Cash generated from operations	29	**15,768**	8,605
Hong Kong profits tax paid		**(1,748)**	(886)
Net cash generated from operating activities		**14,020**	7,719
Cash flows from investing activities			
Proceeds from disposal of investment property		**–**	5,920
Proceeds from disposal of available-for-sale financial assets		**23,030**	–
Purchases of property, plant and equipment		**(38,529)**	(14,660)
Purchases of investment property		**–**	(23)
Interest received		**1,452**	1,284
Deposit paid for acquisition of a property		**(5,675)**	–
Dividend received from associated companies		**24,491**	–
Decrease in amounts due from associated companies		**4,547**	27,862
Dividends received from available-for-sale financial assets		**2,138**	1,361
Net cash generated from investing activities		**11,454**	21,744
Increase in cash and cash equivalents		**25,474**	29,463
Cash and cash equivalents at beginning of the year		**187,965**	157,862
Effect of foreign exchange rate changes		**1,483**	640
Cash and cash equivalents at end of the year		**214,922**	187,965
Analysis of cash and cash equivalents			
Cash and bank balances		**214,922**	187,965

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

Dan Form Holdings Company Limited (the "Company") is a limited liability company incorporated in Hong Kong and has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited. The address of its registered office is 33/F., Tower A, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Hong Kong.

The principal activity of the Company and its subsidiaries (together the "Group") is property investment, property rental and estate management.

These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2012.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and under the historical cost convention as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair value.

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 accounting policies of the Group.

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the financial statements for the year ended 31 December 2010, except for those stated otherwise.

The adoption of revised HKFRS

In 2011, the Group adopted the following revised accounting standards and amendments of HKFRS, which is relevant to the Group's operations.

HKAS 24 (Revised)	Related Party Disclosure

HKICPA's annual improvements to certain HKFRSs published in May 2010

HKAS 1 Amendment	Presentation of Financial Statements
HKAS 27 Amendment	Consolidated and Separate Financial Statements
HKAS 34 Amendment	Interim Financial Reporting
HKFRS 3 (Revised)	Business combinations
HKFRS 7 Amendment	Financial Instruments: Disclosure

The Group has assessed the impact of the adoption of these revised standards and amendments and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the financial statements.

Notes to the Consolidated Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

Standards and amendments to existing standards that are relevant but not yet effective

New or revised standards		**Effective for accounting periods beginning on or after**
HKFRS 7 Amendment	Financial instrument: Disclosures – Transfer of Financial Assets	1 July 2011
HKAS12 Amendment	Income taxes	1 January 2012
HKAS 1 Amendment	Presentation of financial statements	1 July 2012
HKAS 19 Amendment	Employee benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKAS 32 Amendment	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial instruments	1 January 2015

The Group has not early adopted the above new or revised standards and amendment. The Group has assessed the impact of the adoption of these revised standards and amendments and consider that there will be no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and presentation of the financial statements except for the amendment to HKAS 12.

This amendment to HKAS 12 provides an exception to the principles in the existing standard for measuring deferred tax assets or liabilities when investment property is measured at fair value. The amendment introduces a presumption that an investment property measured at fair value is recovered entirely through sale. Management will apply this amendment for financial periods beginning on or after 1 January 2012 and full retrospective application is required.

The Group has assessed the impact of the amendment to HKAS 12 and considers that impact on the consolidated financial statements from this amendment will not be significant.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December and the share of post acquisition results and reserves of its associated companies attributable to the Group.

Results attributable to subsidiaries and associated companies acquired or disposed of during the financial period are included in the consolidated income statement from the date of acquisition or to the date of disposal, as applicable.

The profit or loss on disposal of subsidiaries and associated companies is calculated by reference to the share of net assets at the date of disposal including the attributable amount of goodwill not yet written off.

(b) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies of the entity, generally accompanying a direct or indirect 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiaries (Continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the balance sheet of the Company, investments in subsidiaries are stated at cost less provision for impairment losses. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend income received and receivable.

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.

(c) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management, generally accompanying a shareholding of between 20 to 50% of the voting rights.

Investments in associated companies are accounted for under the equity method of accounting and are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investments in associated companies of the Group include goodwill identified on acquisition, net of any accumulated impairment loss. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associated companies (Continued)

The share of post-acquisition profits or losses of associated companies attributable to the Group is recognised in the consolidated income statement, and the share of post-acquisition reserves is recognised in equity. The cumulative post-acquisition reserves are adjusted against the carrying amount of the investment. When the share of losses of the Group in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the interest in the associated companies held by the Group. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(d) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets of the acquired subsidiary or associated company attributable to the Group at the effective date of acquisition, and, in respect of an increase in holding in a subsidiary, the excess of the cost of acquisition over the carrying amount of the proportion of the minority interests acquired.

Goodwill on acquisitions of subsidiaries is recognised separately as an intangible asset. Goodwill on acquisitions of associated companies is included in investments in associated companies and is tested for impairment as part of the overall balance. Separately recognised goodwill on acquisitions of subsidiaries is tested for impairment and carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation

Transactions included in the financial statements of each of the entities in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars, which is the functional and presentation currency of the Company.

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 of monetary assets and liabilities denominated in foreign currencies at the exchange rates ruling at the balance sheet date are recognised in the income statement.

Foreign exchange gains and losses are presented in the income statement within 'other gains/(losses), net'.

Translation differences on non-monetary financial assets held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary available-for-sale financial assets are included in other comprehensive income.

The results and financial positions of all the entities in the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet are translated at the closing rates at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates; and

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity under exchange reserve. When a foreign operation is sold, or partially disposed of, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

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 rates at the balance sheet date.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of an asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

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

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	30 to 50 years
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicles	4 to 5 years

The residual values and useful lives of the assets are reviewed and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its recoverable amount, it is written down immediately to its estimated recoverable amount.

Gain or loss on disposal is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised as other gains/(losses), net in the income statement.

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is then accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Investment properties (Continued)

After initial recognition, investment property is carried at fair value. Fair value is based on valuations carried out by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Where fair value of investment property under construction is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

Changes in fair values are recognised in the income statement. The fair value of investment property reflects, among other things, rentals from current leases and assumptions about rentals from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is added to the carrying amount of the property only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

When an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to completed properties held for sale at its fair value at the date of change in use.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an owner-occupied property becomes an investment property because its use has changed, any difference between the carrying amount and its fair value at the date of transfer is recognised in equity as a revaluation reserve. Any resulting gain is recognised in the income statement to the extent that it reverses a previous impairment loss, with any remaining increase recognised as other comprehensive income. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to income statement.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Rentals payable, net of incentives received from lessors, under operating leases are charged to the income statement on a straight line basis over the period of the leases.

Prepayments of leasehold land represent non-refundable rental payments for the lease of land and are stated at cost less accumulated amortisation (note 3(f)) and impairment. Amortisation is calculated to write off the prepayments over the period of the lease on a straight-line basis. When there is impairment, the impairment is expensed in the income statement. The amortisation of leasehold land is capitalised as part of the costs of the property when the leasehold land is under development.

(i) Impairment of investments in subsidiaries, associated companies and other non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation, but are tested at least annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the fair value of an asset 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Impairment testing of the investments in subsidiaries and associated companies is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associated company 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.

(j) Investments

The Group classifies its investments as the financial assets at fair value through profit or loss, loans and receivables, or available-for-sale financial assets. Management determines the classification of its investments at initial recognition according to the purpose for which the investments were acquired.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments (Continued)

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets at fair value through profit or loss are initially recognised at fair value, with transaction costs expensed in the income statement, and are subsequently carried at fair value.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in the balance sheet under non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. Available-for-sale financial assets are initially recognised at fair value plus transaction costs and subsequently carried at fair value.

Regular way purchases and sales of investments are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement in the financial period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from available-for-sale financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted investments), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the specific circumstances of the issuer.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments (Continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value of the financial assets below its cost is considered as an indicator in determining whether the financial assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial assets previously recognised in the income statement is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on available-for-sale financial assets (equity instruments only) are not reversed through the income statement.

(k) Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which 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 receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the debtor and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of debtors is reduced through the use of an allowance account and the amount of the provision is recognised in the income statement within administrative expenses. When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and deposits with banks and financial institutions.

(m) Share capital

Incremental costs directly attributable to the issue of new shares or options are recognised in equity as a deduction, net of tax, from the proceeds.

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 the Company's equity holders 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 the Company's equity holders.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the outflow of resources is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, before any tax effects, that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(p) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised 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's subsidiaries and associates 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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 realised or the deferred income tax liability is settled.

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

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Current and deferred income tax (Continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) Employee benefits

Contributions to publicly or privately administered defined contribution retirement or pension plans on a mandatory, contractual or voluntary basis are recognised as employee benefit expenses in the financial period when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee entitlements to annual leave and long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service payments as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

Provision for bonus plans due are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate can be made.

(r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Notes to the Consolidated Financial Statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition

Revenue comprises the fair value of the consideration for sales of goods and rendering of services in the normal course of business activities of the Group. Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activity have been resolved. Revenue is shown net of sales tax, returns, rebates and discounts, allowances for credit and other revenue reducing factors.

Rental income net of any incentives given to the lessees is recognised on a straight-line basis over the period of the leases. Revenue from the sale of completed properties is recognised when the relevant sales contracts are concluded and the risk and rewards of the property have been passed to the purchasers. Estate management income is recognised when services are provided. Interest income is recognised on a time proportion basis using the effective interest method, taking into account the principal amounts outstanding and the effective interest rates applicable. Dividend income is recognised when the right to receive payment is certain.

(t) 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 collectively as the Board of Directors that makes strategic decisions.

(u) Dividend distribution

Dividend distribution to the shareholders of the Company is recognised as a liability in the financial statements in the financial period in which the dividends are declared by the Directors in the case of interim dividends or approved by the Company's shareholders in the case of final dividends.

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Financial risk management is carried out by the finance department 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 price risk, foreign exchange risk, interest rate risk, credit risk and non-derivative financial instruments, and investing excess liquidity.

(a) Price risk

The Group and the Company are exposed to price risk arising from unlisted equity securities and club debentures which are classified as available-for-sale financial assets. The Group and the Company are not exposed to commodity price risk.

The carrying amount of available-for-sale financial assets and the equity of the Group would be an estimated HK$1,495,000 (2010: HK$1,317,000) higher or lower if the year end prices of the above mentioned financial assets were to differ by 5% (2010: 5%) and the carrying amount of available-for-sale financial assets and the equity of the Company would be an estimated HK$435,000 (2010: HK$436,000) higher or lower if the year end prices of the above mentioned financial assets were to differ by 5% (2010:5%).

(b) Foreign exchange risk

The Group operates primarily in Hong Kong and has limited its exposure to foreign exchange risk mainly arising from cash and bank balances denominated in Renminbi ("RMB"). The Group monitors foreign currency risk and considers entering into forward foreign exchange contracts to reduce exposure when necessary.

At 31 December 2011, if Hong Kong dollar had weakened or strengthened by 3% (2010: 3%) against RMB with all other variables held constant, profit before taxation for the year would have been higher or lower by approximately HK$1,541,000 (2010: HK$436,000), mainly as a result of foreign exchange gains or losses arising from translation of cash and bank balances.

(c) Interest rate risk

The Group has no fixed rate borrowings and is exposed to cash flow interest rate risk principally due to the fluctuation of the prevailing market interest rate on bank deposits.

If interest rates had increased or decreased by 1% (2010: 1%) with all other variables held constant, the profit before taxation for the year would increase or decrease by approximately HK$1,937,000 (2010: HK$1,556,000), mainly as a result of higher or lower interest income from bank deposits.

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Credit risk

The Group's credit risk is primarily attributable to trade and other debtors, bank deposits and amounts due from associated companies.

The Group has policies in place to ensure that properties are rented and property management services are provided to customers with appropriate credit histories. The Group reviews the recoverable amount of debtors on a regular basis and an allowance for doubtful debts is made where there is an identified loss.

With regard to credit exposure to customers for rental of properties, the Group also receives rental payments in advance with sufficient initial rental deposits to cover potential default in future rental payments. Amounts due from associated companies and an investee company are generally supported by the underlying assets and the Group monitors the credibility of associated companies and the investee company continuously.

At each balance sheet date, the Group reviews the recoverable amount of each debtor to ensure that adequate provision is made for irrecoverable amounts.

The credit risk on liquid funds is limited because 99% of the funds are placed in banks with high credit rankings, ranging from AA to A by reference to Standard and Poor and Moody's credit ratings. Management does not expect any losses from the non-performance of these banks.

(e) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The Group mainly relies on cash inflow from rental of properties and property management to fund its operations. The Group has sufficient cash on hand and also has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of credit facilities, and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping credit lines available, if necessary.

The Group does not have any borrowings and all creditors and accruals are due for settlement within one year.

Notes to the Consolidated Financial Statements

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital risk management

The objectives of the Group when managing capital are to safeguard the ability of the Group 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.

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

The Group does not have any borrowings as at 31 December 2011 and uses equity to finance its operations.

(g) Fair value estimation

Financial instruments that are measured in the balance sheet at fair value are required to disclose their fair value measurements by level. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 31 December 2011, the Group's assets measured at fair value are available-for-sale instruments, of which HK$8,699,000 (2010: HK$8,714,000) represents Level 2 instruments and HK$21,193,000 (2010: HK$17,621,000) represents Level 3 instruments.

The fair value change in Level 3 instruments for the year ended 31 December 2011 was HK$3,572,000 (2010: HK$2,293,000).

At 31 December 2011, the Company's financial instruments are available-for-sale financial assets which represent Level 2 instruments.

Notes to the Consolidated Financial Statements

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events.

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 effect on the carrying amounts of assets and liabilities of the Group are discussed below.

(i) Investment properties

The fair values of investment properties are determined by independent valuers on an open market for existing use basis. In making the judgement, the independent valuers consider information from a variety of sources including:

– 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;

– 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

– 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 principal assumptions underlying the estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; 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. These assumptions are mainly based on market conditions existing at each balance date. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(ii) Available-for-sale financial assets

The fair value of each asset is reviewed at each accounting date and whenever events or changes in circumstances indicate that the carrying amount of the asset has been affected. The fair value also reflects the market conditions existing at each balance sheet date. For unlisted equity investments, the Group establishes fair value by using valuation techniques, including the use of arm's length transactions, reference to other instruments that are substantially the same, discounted cash flows analysis, or the underlying net assets to reflect the specific circumstances.

Notes to the Consolidated Financial Statements

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Debtors

Impairment of debtors is established when there is objective evidence on the ultimate recoverability of the amount due according to the original terms. Estimates are made based on the assessments of the financial position of the debtors, probability of the debtor being bankrupt, default or delinquent. The provision takes into account the present value of the estimated future cash flows, discounted at the effective interest rate.

(iv) Taxation

The Group is subject to taxation in Hong Kong and Mainland China. Significant judgement is required in determining the provision for taxation for each entity in the Group. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for potential tax exposures 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 taxation payable and deferred taxation in the financial period in which such determination is made.

6. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Group's turnover, is shown as follows:

	2011	2010
	HK$'000	HK$'000
Rental from investment properties	**29,091**	27,537
Estate management fees	**10,858**	9,655
Dividend from unlisted investments	**2,138**	1,361
	42,087	38,553

The chief operating decision-maker has been identified as the Board of Directors of the Company. The Board of Directors regards the Group's business as a single operating segment, which is property rental and estate management and reviews financial information accordingly. Therefore, no segment analysis of the Group's revenue and contribution to operating profit is presented.

Notes to the Consolidated Financial Statements

7. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Interest income	1,452	1,284
Write-back of provision for doubtful debt (Note)	32,210	–
Others	280	–
	33,942	1,284

Note:

On 25 January 2011, the first cash distribution proposal in respect of the liquidation of a then subsidiary, Beijing Dan Yao Property Company Limited ("Dan Yao") was approved in the sixth creditors' meeting of Dan Yao. Accordingly, the provision for doubtful debt on Dan Yao was written back to the income statement, to the extent of the proposed distribution.

8. OTHER GAINS

	2011 HK$'000	2010 HK$'000
Net exchange gains	1,432	576
Gain on disposal of an investment property	–	288
Gain on disposal of available-for-sale financial assets (Note)	21,893	–
	23,325	864

Note:

On 1 June 2011, the Group entered into a sale and purchase agreement with a third party to sell one of its available-for-sale financial assets. Total consideration attributable to the Group amounts to approximately HK$23,030,000.

The sale transaction was completed in September 2011 and the fair value gain of HK$21,893,000 was recycled from the investment revaluation reserve to the consolidated income statement for the year ended 31 December 2011.

9. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2011 HK$'000	2010 HK$'000
Wages and salaries	14,002	13,134
Social security costs	183	142
Provision for/(reversal of) long service payments	324	(39)
Retirement benefit costs – Defined contribution plans (note 11)	303	286
	14,812	13,523

Notes to the Consolidated Financial Statements

10. OPERATING PROFIT

	2011 HK$'000	2010 HK$'000
Operating profit is arrived at after charging:		
Direct operating expenses of investment properties that generate rental income	**6,218**	6,693
Direct operating expenses of investment properties that did not generate rental income	**76**	366
Operating lease rentals for land and buildings	**–**	2,067
Loss on disposal of property, plant and equipment	**–**	5
Auditor's remuneration		
Audit services	**950**	950
Non-audit services	**166**	73

11. RETIREMENT BENEFIT COSTS

The Group operates a defined contribution provident fund scheme (the "Scheme"), which is available to certain employees who joined the Group before 1 December 2000, and a mandatory provident fund scheme (the "Fund"), which is available to all employees in Hong Kong effective 1 December 2000. The assets of the Scheme and the Fund are held separately from those of the Group in independently administered funds. Contributions to the Scheme and the Fund by the Group and the employees are calculated as a percentage of the monthly salaries of the employees. Contributions to the Scheme are reduced by contributions forfeited by those employees who leave the Scheme prior to vesting fully in the contributions. During the year, no forfeited contributions in respect of the Scheme (2010: HK$ Nil) were utilised and there were no forfeited contribution available to reduce future contributions at 31 December 2011 (2010: Nil).

The Group also participates in the employee pension schemes of the municipal governments in Mainland China where the Group operates. The Group is required to make monthly defined contributions at rates calculated as a percentage of the monthly payroll. The respective municipal government will assume the retirement benefit obligations of in PRC existing and future retired employees in Mainland China of the Group.

The cost charged to the consolidated income statement (note 9) represents contributions payable by the Group to the above schemes.

Notes to the Consolidated Financial Statements

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Name	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
2011					
DAI Xiaoming	**10**	**2,918**	**200**	**7**	**3,135**
Kenneth Hiu King KON	**10**	**2,091**	**174**	**12**	**2,287**
Jesse Nai Chau LEUNG	**230**	**–**	**–**	**–**	**230**
XIANG Bing	**230**	**–**	**–**	**–**	**230**
Edward SHEN	**230**	**–**	**–**	**–**	**230**
	710	**5,009**	**374**	**19**	**6,112**

Name	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	Total HK$'000
2010					
DAI Xiaoming	10	2,919	199	12	3,140
Kenneth Hiu King KON	10	2,091	174	12	2,287
Jesse Nai Chau LEUNG	230	–	–	–	230
XIANG Bing	230	–	–	–	230
Edward SHEN	230	–	–	–	230
	710	5,010	373	24	6,117

None of the Directors of the Company has waived the right to receive their emoluments during the year (2010: Nil). The Directors represent key management personnel of the Company having authority and responsibility for planning, directing and controlling the activities of the Group.

Notes to the Consolidated Financial Statements

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2010: two) Directors whose emoluments are reflected in note (a) above. The emoluments for the remaining three (2010: three) highest paid individuals are as follows:

	2011 HK$'000	2010 HK$'000
Salaries and allowances	**1,901**	1,874
Discretionary bonuses	**162**	156
Retirement benefit costs – Defined contribution plans	**55**	55
	2,118	2,085

The emoluments of these individuals fell within the following bands:

Emolument bands	Number of individuals 2011	2010
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	3	3

13. SHARE OF PROFITS OF ASSOCIATED COMPANIES

Share of profits of associated companies include the following:

	2011 HK$'000	2010 HK$'000
Change in fair value investment properties (Note)	**427,333**	498,733
Taxation	**(76,388)**	(87,088)

Note:

The investment properties of the associated companies were valued by DTZ Debenham Tie Leung Limited, independent professional qualified surveyors, on an open market value basis.

Notes to the Consolidated Financial Statements

14. INCOME TAX EXPENSES

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 Mainland China has been provided at the rate of taxation prevailing in Mainland China.

The amount of income tax charged to the consolidated income statement represents:

	2011 **HK$'000**	2010 HK$'000
Current income tax		
Hong Kong	**1,055**	1,066
Mainland China	**56**	43
Deferred income tax (note 27)	**14,953**	11,698
	16,064	12,807

The taxation on the profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Group principally operates, as follows:

	2011 **HK$'000**	2010 HK$'000
Profit before income tax	**542,575**	518,754
Adjusted for:		
Share of profits of associated companies	**(386,810)**	(440,998)
	155,765	77,756
Tax charge at the rate of 16.5% (2010: 16.5%)	**25,701**	12,830
Effect of different taxation rates	**117**	180
Income not subject to taxation	**(9,561)**	(743)
Expenses not deductible for taxation purposes	**418**	353
Utilisation of previously unrecognised tax losses	**(1,116)**	(140)
Tax losses not recognised	**402**	834
Temporary differences not recognised	**103**	(501)
Over provision for taxation in prior years	**–**	(6)
Income tax expenses	**16,064**	12,807

Notes to the Consolidated Financial Statements

15. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$36,234,000 (2010: HK$12,211,000).

16. EARNINGS PER SHARE

The calculation of basic earnings per share for the year is based on the following:

	2011 **HK$'000**	2010 HK$'000
Profit attributable to shareholders	**526,511**	505,947
Weighted average number of shares for calculating basic earning per share ('000)	**1,247,299**	1,247,299
Basic earnings per share (HK cents)	**42.21**	40.6

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$526,511,000 (2010: profit of HK$505,947,000) and the weighted average number of 1,247,298,945 ordinary shares in issue during the year (2010: 1,247,298,945).

The diluted earnings per share equals the basic earnings per share since there are no dilutive potential shares in issue during both years.

Notes to the Consolidated Financial Statements

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2010	48,816	1,523	2,155	2,190	54,684
Transfer from investment properties (note 18)	6,300	–	–	–	6,300
Additions	563	1,337	12,382	378	14,660
Disposals	–	(786)	(1,231)	–	(2,017)
At 31 December 2010	55,679	2,074	13,306	2,568	73,627
Surplus on revaluation	1,805	–	–	–	1,805
Transfer to investment properties (note 18)	(8,105)	–	–	–	(8,105)
Additions	37,917	204	408	–	38,529
Disposals	–	(9)	–	–	(9)
At 31 December 2011	**87,296**	**2,269**	**13,714**	**2,568**	**105,847**
Accumulated depreciation					
At 1 January 2010	408	1,318	2,147	651	4,524
Charge for the year	1,456	311	1,835	471	4,073
Disposals	–	(786)	(1,226)	–	(2,012)
At 31 December 2010	1,864	843	2,756	1,122	6,585
Transfer to investment properties (note 18)	(305)	–	–	–	(305)
Charge for the year	1,690	331	2,530	541	5,092
Disposals	–	(9)	–	–	(9)
At 31 December 2011	**3,249**	**1,165**	**5,286**	**1,663**	**11,363**
Net book value					
At 31 December 2011	**84,047**	**1,104**	**8,428**	**905**	**94,484**
At 31 December 2010	53,815	1,231	10,550	1,446	67,042

Notes to the Consolidated Financial Statements

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Land and buildings are analysed as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Hong Kong		
Leases of over 50 years	**309**	312
Leases of between 10 to 50 years	**82,525**	52,264
Mainland China		
Leases of over 50 years	**1,213**	1,239
	84,047	53,815

Note:

At 31 December 2010, land and buildings of the Group in Hong Kong with net book value of HK$6,097,000 were pledged as securities for the banking facilities which expired in November 2010. The Group will undergo a discussion with the bank for the renewal of banking facilities and the bank has agreed to provide banking facilities if necessary. At 31 December 2010 and 2011, the Group did not have bank borrowings.

Notes to the Consolidated Financial Statements

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 1 January 2010	678	2,057	2,190	4,925
Additions	1,300	11,687	378	13,365
Disposals	(175)	(1,231)	–	(1,406)
At 31 December 2010	1,803	12,513	2,568	16,884
Additions	60	–	–	60
Disposals	(9)	–	–	(9)
At 31 December 2011	**1,854**	**12,513**	**2,568**	**16,935**
Accumulated depreciation				
At 1 January 2010	526	2,049	651	3,226
Charge for the year	269	1,753	471	2,493
Disposals	(175)	(1,226)	–	(1,401)
At 31 December 2010	620	2,576	1,122	4,318
Charge for the year	298	2,337	541	3,176
Disposals	(9)	–	–	(9)
At 31 December 2011	**909**	**4,913**	**1,663**	**7,485**
Net book value				
At 31 December 2011	**945**	**7,600**	**905**	**9,450**
At 31 December 2010	1,183	9,937	1,446	12,566

Notes to the Consolidated Financial Statements

18. INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$'000	HK$'000
At beginning of the year	**618,124**	558,156
Additions	**–**	23
Disposal	**–**	(5,523)
Transfer to property, plant and equipment (note 17)	**–**	(6,300)
Transfer from property, plant and equipment (note 17)	**7,800**	–
Changes in fair value	**91,047**	71,356
Changes in exchange rates	**366**	412
At end of the year	**717,337**	618,124
Comprising:		
Hong Kong		
Leases of over 50 years	**631,100**	546,120
Leases of between 10 to 50 years	**71,100**	58,850
Mainland China		
Leases of over 50 years	**11,285**	10,047
Leases of between 10 to 50 years	**3,852**	3,107
	717,337	618,124

The investment properties were valued by DTZ Debenham Tie Leung Limited, independent professional qualified surveyors, based on current prices in an active market for all properties.

At 31 December 2011, investment properties of the Group in Hong Kong with net book value of HK$670,800,000 (2010: HK$575,420,000), was pledged as securities for the banking facilities which expired in November 2010. The Group will undergo a discussion with the bank for the renewal of banking facilities and the bank has agreed to provide banking facilities if necessary. At 31 December 2010 and 2011, the Group did not have bank borrowings.

Notes to the Consolidated Financial Statements

19. LEASEHOLD LAND

	Group	
	2011	2010
	HK$'000	HK$'000
At beginning of the year	**3,810**	3,869
Amortisation	**(60)**	(59)
At end of the year	**3,750**	3,810
Comprising:		
Mainland China		
Leases of over 50 years	**3,750**	3,810

20. SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**1,904**	1,904
Less: provisions	**(717)**	(717)
	1,187	1,187
Amounts due from subsidiaries (Note (a))	**1,347,144**	1,374,567
Less: provisions	**(1,045,574)**	(1,045,808)
	301,570	328,759
Total investment	**302,757**	329,946
Amount due from a subsidiary (Note (b))	**140,000**	140,000
Amounts due to subsidiaries (Note (c))	**342**	347

Notes to the Consolidated Financial Statements

20. SUBSIDIARIES (CONTINUED)

Note:

(a) Amounts due from subsidiaries represent funding by the Company to the respective subsidiaries and are regarded as part of the Company's investments in accordance with the Company's accounting policy.

(b) As at 31 December 2011 and 2010, the amount due from a subsidiary is unsecured, carries interest at 3% above prime rate, and has no fixed terms of repayment.The amount receivable is denominated in Hong Kong dollar and the carrying amount approximates its fair value.

(c) Amounts due to subsidiaries are unsecured, interest free and have no fixed terms of repayment. The amounts payable are denominated in Hong Kong dollar and the carrying amounts approximate their fair values.

Particulars of the principal subsidiaries as at 31 December 2011 are set out in note 34(a).

Movements on the provisions for amounts due from subsidiaries are as follows:

	2011 **HK$'000**	2010 HK$'000
At beginning of the year	**1,045,808**	1,045,764
(Write-back)/provision	**(234)**	44
At end of the year	**1,045,574**	1,045,808

21. ASSOCIATED COMPANIES

	Group	
	2011 **HK$'000**	2010 HK$'000
Share of net assets	**2,413,557**	2,086,898
Amounts due from associated companies	**359,897**	325,509
Less: provisions	**(106,573)**	(106,556)
	253,324	218,953
Amounts due to associated companies	**18,437**	15,179

The amounts due from/to associated companies are unsecured, interest free and repayable on demand. The carrying amounts of the amounts due from/to associated companies approximate their fair values.

The carrying amounts of the amounts due from/to associated companies are denominated in Hong Kong dollars.

Particulars of the principal associated companies as at 31 December 2011 are set out in note 34(b).

Notes to the Consolidated Financial Statements

21. ASSOCIATED COMPANIES (CONTINUED)

The shares of the assets, liabilities and results of the associated companies, all of which are unlisted, attributable to the Group are set out below:

	Total assets HK$'000	Total liabilities HK$'000	Revenue HK$'000	Profit after taxation HK$'000
At 31 December 2011				
Zeta Estates Limited	**2,943,113**	**(709,991)**	**51,753**	**354,079**
Beijing Jing Yuan Property Development Company Limited	**34,405**	**(34,405)**	**42,104**	**–**
Others	**232,478**	**(52,043)**	**7,186**	**32,731**
	3,209,996	**(796,439)**	**101,043**	**386,810**
At 31 December 2010				
Zeta Estates Limited	2,545,469	(606,267)	42,733	406,354
Beijing Jing Yuan Property Development Company Limited	37,125	(37,125)	136	–
Others	190,345	(42,649)	6,243	34,644
	2,772,939	(686,041)	49,112	440,998

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
At beginning of the year	**27,473**	29,262	**8,714**	8,210
Changes in fair value transferred to equity	**25,449**	(1,789)	**(15)**	504
Disposal (note 8)	**(23,030)**	–	**–**	–
At end of the year	**29,892**	27,473	**8,699**	8,714

Notes to the Consolidated Financial Statements

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets are analysed as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted equity securities				
– at fair value	**21,193**	17,621	**–**	–
– at cost (Note)	**–**	1,138	**–**	–
Club debentures	**8,699**	8,714	**8,699**	8,714
	29,892	27,473	**8,699**	8,714

The carrying amounts of the available-for-sale financial assets are denominated in Hong Kong dollars.

Note:

At 31 December 2010, the Directors concluded that the fair value of certain available-for-sale financial assets which were stated at fair value in prior years could not be reliably measured since there were no recent market transactions between knowledgeable, willing parties on an arm's length basis and future cash flows available from the available-for-sale financial assets could not be determined reliably. Accordingly, certain available-for-sale financial assets are stated at cost as at 31 December 2010.

23. DEBTORS, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLE

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors	**2,067**	3,780	**–**	–
Provisions	**(104)**	–	**–**	–
Trade debtors, net	**1,963**	3,780	**–**	–
Other debtors	**5,270**	6,159	**181**	193
Other receivable (note 7)	**32,210**	–	**32,210**	–
Prepayments and deposits	**1,686**	2,366	**562**	1,317
	41,129	12,305	**32,953**	1,510

Notes to the Consolidated Financial Statements

23. DEBTORS, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLE (CONTINUED)

The carrying amounts of the debtors, prepayments, deposits and other receivable are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**40,980**	12,084	**32,804**	1,313
Renminbi	**149**	221	**149**	197
	41,129	12,305	**32,953**	1,510

Trade debtors represent rentals and estate management fees receivable and are receivable on presentation of invoices. At 31 December 2011, trade debtors of HK$1,963,000 (2010: HK$3,780,000) were past due but not considered impaired. These debtors relate to a number of independent customers for whom there is no recent history of default. The ageing of these trade debtors of the Group based on invoice date is as follows:

	2011	2010
	HK$'000	HK$'000
Within 30 days	**1,639**	2,139
31 to 60 days	**229**	188
61 to 90 days	**91**	423
Over 90 days	**108**	1,030
	2,067	3,780

At 31 December 2011, trade debtors of HK$104,000 were individually determined to be impaired and full provision was made. Such impaired trade debtors were aged over 90 days. At 31 December 2010, no trade debtor was individually determined to be impaired. There is no concentration of credit risk with respect to trade debtors, as the Group has a large number of customers.

Other debtors represent reimbursable expenses paid on behalf of customers and amounts receivable from investee companies, which are held by the Group under available-for-sale financial assets, of HK$4,072,000 (2010: HK$4,323,000). The amounts receivable from investee companies are unsecured and have no fixed term of repayment. At 31 December 2010 and 2011, no other debtor was individually determined to be impaired.

Notes to the Consolidated Financial Statements

23. DEBTORS, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLE (CONTINUED)

Movements on the provision for trade debtors are as follows:

	2011 HK$'000	2010 HK$'000
At beginning of the year	–	146
Provision	104	207
Written off as uncollectible	–	(353)
At end of the year	104	–

The creation and release of provisions for impairment have been included in administrative expenses in the consolidated income statement.

The Group does not hold any collateral as security, except that the Group holds rental deposits from tenants for leasing of properties.

The other classes within trade and other debtors do not contain impaired assets. The maximum exposure to credit risk represents the fair value of each class of receivable.

24. CASH AND BANK BALANCES

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Cash at bank and in hand	21,206	32,412	3,661	5,982
Short term bank deposits with original maturity within 3 months	193,716	155,553	193,716	155,553
	214,922	187,965	197,377	161,535

Notes to the Consolidated Financial Statements

24. CASH AND BANK BALANCES (CONTINUED)

The carrying amounts of cash and bank balances are denominated in the following currencies:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**163,543**	173,434	**145,998**	147,003
Renminbi	**51,379**	14,531	**51,379**	14,532
	214,922	187,965	**197,377**	161,535

25. SHARE CAPITAL

	2011	2010
	HK$'000	HK$'000
Authorised:		
1,600,000,000 shares of HK$0.50 each	**800,000**	800,000
Issued and fully paid:		
1,247,298,945 shares of HK$0.50 each	**623,649**	623,649

Notes to the Consolidated Financial Statements

26. RESERVES

Group

	Share premium HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2010	637,639	13,570	–	(6,391)	1,338,240	1,983,058
Profit for the year	–	–	–	–	505,947	505,947
Other comprehensive income:						
Change in fair value of available-for-sale financial assets	–	(1,789)	–	–	–	(1,789)
Change in exchange rates	–	–	–	412	–	412
Total comprehensive income	–	(1,789)	–	412	505,947	504,570
At 31 December 2010	637,639	11,781	–	(5,979)	1,844,187	2,487,628
Profit for the year	–	–	–	–	526,511	526,511
Other comprehensive income:						
Surplus on revaluation of building	–	–	1,805	–	–	1,805
Less: Deferred tax charged to the property revaluation reserve	–	–	(297)	–	–	(297)
Available-for-sale financial assets:						
Change in fair value of available-for-sale financial assets	–	25,449	–	–	–	25,449
Less: Reclassification adjustments for gains included in the income statement	–	(21,893)	–	–	–	(21,893)
Change in exchange rates	–	–	–	366	–	366
Total comprehensive income	–	3,556	1,508	366	526,511	531,941
At 31 December 2011	**637,639**	**15,337**	**1,508**	**(5,613)**	**2,370,698**	**3,019,569**

Notes to the Consolidated Financial Statements

26. RESERVES (CONTINUED)

Company

	Share premium HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010	637,639	3,705	(626,480)	14,864
Profit for the year	–	–	12,211	12,211
Other comprehensive income:				
Change in fair value of available-for-sale financial assets	–	504	–	504
Total comprehensive income	–	504	12,211	12,715
At 31 December 2010	637,639	4,209	(614,269)	27,579
Profit for the year	–	–	36,234	36,234
Other comprehensive loss:				
Change in fair value of available-for-sale financial assets	–	(15)	–	(15)
Total comprehensive income	–	(15)	36,234	36,219
At 31 December 2011	**637,639**	**4,194**	**(578,035)**	**63,798**

27. DEFERRED INCOME TAX LIABILITIES

The gross movements on the deferred income tax liabilities are as follows:

	Group	
	2011 HK$'000	2010 HK$'000
At beginning of the year	**75,560**	63,798
Change in exchange rates	**51**	64
Charged to the consolidated income statement (note 14)	**14,953**	11,698
Charged to the property revaluation reserve	**297**	–
At end of the year	**90,861**	75,560

All deferred income tax liabilities are expected to be settled after twelve months.

Notes to the Consolidated Financial Statements

27. DEFERRED INCOME TAX LIABILITIES (CONTINUED)

The movement in deferred income tax liabilities of the Group during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Fair value change of investment properties		Others		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At beginning of the year	**74,176**	62,478	**1,384**	1,320	**75,560**	63,798
Change in exchange rates	**–**	–	**51**	64	**51**	64
Charged to the consolidated income statement	**14,953**	11,698	**–**	–	**14,953**	11,698
Charged to the property revaluation reserve	**297**	–	**–**	–	**297**	–
At end of the year	**89,426**	74,176	**1,435**	1,384	**90,861**	75,560

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. On that basis, the Group did not recognise deferred tax assets of HK$2,677,000 (2010: HK$3,391,000) in respect of tax losses amounting to HK$16,227,000 (2010: HK$20,554,000) that can be carried forward against future taxable income. These unused tax losses have no expiry date.

28. CREDITORS AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors	**276**	17	**–**	–
Other creditors and deposits	**17,496**	17,052	**1,160**	774
Accrued operating expenses	**3,798**	2,864	**2,287**	1,964
	21,570	19,933	**3,447**	2,738

Notes to the Consolidated Financial Statements

28. CREDITORS AND ACCRUALS (CONTINUED)

The ageing of trade creditors of the Group is as follows:

	2011 HK$'000	2010 HK$'000
Within 30 days	**276**	17

The carrying amounts of creditors and accruals are denominated in the following currencies:

	Group		Company	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Hong Kong dollars	**20,609**	19,055	**3,365**	2,703
Renminbi	**961**	878	**82**	35
	21,570	19,933	**3,447**	2,738

The carrying amounts of creditors and accruals approximate their fair values.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to net cash generated from operations

	2011 HK$'000	2010 HK$'000
Operating profit	**155,765**	77,756
Depreciation and amortisation	**5,152**	4,132
Net exchange gains	**(1,432)**	(576)
Loss on disposal of property, plant and equipment	**–**	5
Gain on disposal of an investment property	**–**	(288)
Gain on disposal of available-for-sale financial assets	**(21,893)**	–
Write-back of provision for doubtful debt	**(32,210)**	–
Change in fair value of investment properties	**(91,047)**	(71,356)
Dividend income	**(2,138)**	(1,361)
Interest income	**(1,452)**	(1,284)
Operating profit before working capital changes	**10,745**	7,028
Decrease in debtors, prepayments, deposits and other receivable	**3,386**	382
Increase in creditors and accruals	**1,637**	1,195
Net cash generated from operations	**15,768**	8,605

Notes to the Consolidated Financial Statements

30. COMMITMENTS

(a) Operating lease commitments

The future aggregate minimum lease rental payments under non-cancellable operating leases in respect of land and buildings are payable in the following periods:

	Group and Company	
	2011	2010
	HK$'000	HK$'000
Within one year	**42**	33

(b) Operating lease rental receivable

The future minimum lease rental receipts under non-cancellable operating leases in respect of investment properties are receivable in the following periods:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**18,253**	21,505
Between one to five years	**9,019**	20,672
Over five years	**370**	1,649
	27,642	43,826

(c) Capital commitments

Capital expenditure contracted but not provided for at the balance sheet date is as follows:

	Group and Company	
	2011	2010
	HK$'000	HK$'000
Property, plant and equipment	**35,847**	–

31. RELATED PARTY TRANSACTIONS

The Group received estate management fees income from its associated companies of HK$6,642,000 (2010: HK$5,539,000), which were determined at specified percentages of the gross operating revenues of the relevant companies.

Notes to the Consolidated Financial Statements

32. EVENTS AFTER THE BALANCE SHEET DATE

On 9 December 2011, the proposal for the reduction of share premium account to write off against the Company's accumulated losses was approved at the extraordinary general meeting. A sealed copy of the order made by the High Court on 3 February 2012 confirming the reduction of share premium account was submitted to the Registrar of Companies in Hong Kong and was duly registered on 8 February 2012.

Under the court order, the Company will create in the accounting records a special reserve account and so long as the debt of or the claim against the Company remains outstanding, and in case the Company commences winding-up, the Company undertakes the persons entitled to the benefit of such debts or claims shall not have agreed otherwise, such reserve shall not be treated as realized profits for the purposes of Section 79B of the Companies Ordinance (Cap. 32) and shall (for so long as the Company remain a listed company) be treated as an undistributable reserve of the Company for the purpose of Section 79C of the Companies Ordinance (Cap. 32) or any statutory re-enactments or modifications thereof.

33. ULTIMATE HOLDING COMPANY

The directors regard Fabulous Investment Limited, a company incorporated in the British Virgin Islands, as being the immediate holding company of the Company.

The directors regard Harlesden Limited ("Harlesden"), a company incorporated in the British Virgin Islands, as being the ultimate holding company of the Company. The Company is ultimately controlled by Mr. Dai Xiaoming, who is the sole shareholder of Harlesden.

Notes to the Consolidated Financial Statements

34. PRINCIPAL SUBSIDIARIES AND ASSOCIATED COMPANIES

(a) Subsidiaries

Name	Place of incorporation/ operation	Issued share capital	Percentage of attributable equity Company	Group	Principal activities
AsiaSec Finance Limited	Hong Kong	HK$10,000	–	100	Financing
AsiaSec Property Management Limited	Hong Kong	HK$300,000	–	100	Property management
Citigrand Investment Limited	Hong Kong	HK$2	–	100	Property investment
Dan Form (China) Limited	Hong Kong	HK$2	100	100	Investment holding
Dan Form (Hong Kong) Limited	Hong Kong	HK$1,000,000	100	100	Investment holding
Dawna Range Company Limited	Hong Kong	HK$20	–	100	Investment holding
Diamond Property Management Company Limited	Hong Kong	HK$10,000	–	100	Property management
Harcape Limited	Hong Kong	HK$10,000	–	100	Property investment
Keen Safe Investment Limited	Hong Kong	HK$1,010,000	–	100	Investment holding
Landfine Investment Limited	Hong Kong	HK$2	–	100	Property investment
Man Lee Offshore Limited	British Virgin Islands/ Mainland China	US$1	–	100	Property investment
Oriental Dragon Investment Limited	British Virgin Islands/ Mainland China	US$1	–	100	Property investment
Top Power Development Limited	Hong Kong	HK$2	–	100	Property investment
Winshine Properties Limited	British Virgin Islands/ Mainland China	US$1	–	100	Property investment

(b) Associated companies

Name	Place of incorporation/ operation	Issued share capital	Percentage of attributable equity Company	Group	Principal activities
Beijing Jing Yuan Property Development Company, Limited [1]	Mainland China	US$61,220,000 [2]	–	29.4	Property development
Ho Pok Investment Company Limited	Hong Kong	HK$10,000	–	50	Investment holding
Kin Tong Land Investment Company Limited	Hong Kong	HK$10,000,000	–	50	Property investment
Zeta Estates Limited	Hong Kong	HK$990,000	–	33.33	Property investment

[1] Sino-foreign joint venture companies
[2] Paid-up registered capital

Particulars of Major Properties

As at 31 December 2011

Location	Lot No.	Use	Total gross floor area (sq. ft.)	Car parking spaces	Percentage owned
Investment properties					
Hong Kong					
Billion Centre (portion) 1 Wang Kwong Road, Kowloon Bay	K.I.L. 5925	Commercial	5,425	–	100
Harbour Crystal Centre (portion) 100 Granville Road, Tsimshatsui East, Kowloon	K.I.L. 10600	Commercial	138,663 8,881	– – 30	80 40 100
Harbour Industrial Centre (portion) Ap Lei Chau, Aberdeen, Hong Kong	A.I.L.116	Industrial/ Godown	266,315	59	33.33
Oceanic Industrial Centre (portion) Ap Lei Chau, Aberdeen, Hong Kong	A.I.L.116	Industrial/ Godown	741,703	74	33.33
Queen's Centre (portion) 58-64 Queen's Road East Wanchai, Hong Kong	I.L.2243R.P.	Commercial/ Offices	27,457	–	50
Red Hill, Phase 1 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	11,001	–	33.33
Red Hill, Phase 2 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	100,819	–	33.33
Red Hill, Phase 3 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	181,698	–	33.33
Red Hill, Phase 4 (portion) Tai Tam, Hong Kong	R.B.L.1050	Residential	220,195	271	33.33
Wah Shun Industrial Centre (portion) 4 Cho Yuen Street Yau Tong, Kowloon	Y.T.I.L.29	Industrial	134,236	10	50

Summary of the Group's Financial Information

	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Revenue	**42,087**	38,553	35,070	34,058	33,035
Operating profit/(loss) after finance cost	**155,765**	77,756	13,668	(60)	101,631
Share of profits/(loss) of associated companies	**386,810**	440,998	423,937	(55,388)	277,324
Profit/(loss) before taxation	**542,575**	518,754	437,605	(55,448)	378,955
Taxation (charge)/credit	**(16,064)**	(12,807)	(1,945)	5,765	(13,660)
Profit/(loss) for the year	**526,511**	505,947	435,660	(49,683)	365,295
Attributable to:					
Equity holders	**526,511**	505,947	435,660	(49,683)	365,295
	HK cents	HK cents	HK cents	HK cents	HK cents
Earnings/(loss) per share	**42.21**	40.6	36.7	(4.0)	32.2
Total assets	**3,774,086**	3,222,612	2,701,915	2,255,183	2,335,279
Total liabilities	**(130,868)**	(111,335)	(95,208)	(89,638)	(92,650)
Net assets	**3,643,218**	3,111,277	2,606,707	2,165,545	2,242,629