

莊勝百貨集團有限公司
JUNEFIELD DEPARTMENT STORE GROUP LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code : 758)

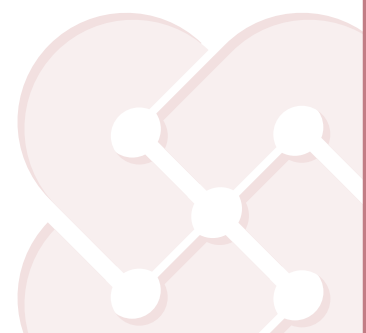
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ANNUAL REPORT

2011

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Zhou Chu Jian He (*Chairman*)
Ng Man Chung, Siman (*Deputy Chairman*)
Liu Zhongsheng (*Chief Executive Officer*)
Zhang Xiaobing
Xiang Xianhong
Lei Shuguang

NON-EXECUTIVE DIRECTOR

Jorge Edgar Jose Muñiz Ziches

INDEPENDENT NON-EXECUTIVE DIRECTORS

Leung Man Kit
Chan Kwok Wai
Lam Man Sum, Albert

AUDIT COMMITTEE

Chan Kwok Wai (*Chairman*)
Leung Man Kit
Lam Man Sum, Albert

REMUNERATION COMMITTEE

Leung Man Kit (*Chairman*)
Chan Kwok Wai
Lam Man Sum, Albert

NOMINATION COMMITTEE

Zhou Chu Jian He (*Chairman*)
Liu Zhongsheng
Leung Man Kit
Chan Kwok Wai
Lam Man Sum, Albert

COMPANY SECRETARY

Chan Kin Lung

QUALIFIED ACCOUNTANT

Choy Kwai Fan

AUDITORS

HLB Hodgson Impney Cheng
Chartered Accountants
Certified Public Accountants
31/F., Gloucester Tower, The Landmark
11 Pedder Street, Central, Hong Kong

SOLICITORS

David Lo & Partners
Suite 2101, Nine Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Bank of China (Hong Kong) Limited

SHARE REGISTRARS AND TRANSFER OFFICE

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke HM08, Bermuda

HONG KONG BRANCH REGISTRAR

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

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13/F., Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

16/F., Junefield Plaza, Office Tower I
No. 6 Xuan Wu Men Wai Main Street, Beijing
The People's Republic of China

STOCK CODE

758

WEBSITE

<http://junefield.etnet.com.hk>

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Junefield Department Store Group Limited (the "Company"), I am pleased to announce the annual results of the Company together with its subsidiaries (collectively the "Group") for the year ended 31 December 2011.

RESULTS

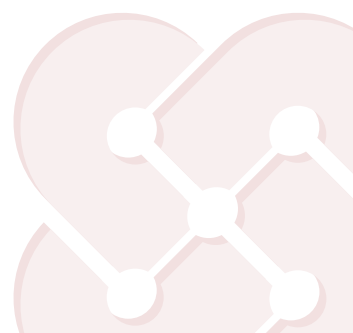
In 2011, the Group's revenue increased to approximately HK\$267,135,000 (2010: HK\$213,070,000), representing an increase of 25% compared with last year. The Group's audited profit attributable to owners of the Company amounted to approximately HK\$140,144,000 (2010: HK\$104,903,000), representing an increase of 34% compared over 2010. Basic earnings per share were HK13.88 cents (2010: HK10.49 cents), representing an increase of 32%.

DIVIDENDS

The Board recommended the payment of a final dividend of HK1.5 cents per share, together with the interim dividend of HK1 cent per share paid on 14 September 2011, makes a total dividend of HK2.5 cents per share for the year. Such proposal is subject to approval by shareholders of the Company at the forthcoming annual general meeting.

BUSINESS REVIEW AND PROSPECTS

Under the uncertain global economic environment in 2011, the Group still achieved a satisfactory growth in business. Given the strong market demand for granulated slag powder in Xiang Zhong (湘中) District of Hunan Province, the People's Republic of China (the "PRC") and strong domestic demand in retail sector in Wuhan, the PRC during the year under review, the manufacture and sale of construction materials business recorded a profit of HK\$72,999,000 and the jointly-controlled entity, which engages in retail and department store business, recorded a share of profit of HK\$137,829,000, representing significant increases of 100% and 42% over 2010 respectively. Both businesses continue to be the major profit contributors for the Group. The Group has always committed to increase the value for its shareholders. The Board continues to recommend the payment of a final dividend for the year under review.



CHAIRMAN'S STATEMENT

BUSINESS REVIEW AND PROSPECTS *(continued)*

Since the fourth quarter of 2011, the average selling price of granulated slag powder has gone downward. Except that the first quarter of each year is a traditional low season for the construction segment, it also reflected that the demand for construction materials is declining in the PRC. Nevertheless, looking ahead in 2012, in view of the PRC domestic consumption continues to record positive growth and related policies for urbanisation process is ongoing, it is expected that both the retail and department store and the manufacture and sale of construction materials businesses will continue to benefit.

The Group proactively explores expansion opportunities under the growth strategies to replicate the successful experience in business acquisition in the past to other business segments in the PRC and overseas in order to broaden its current income base and to increase value for the shareholders. Currently, the Group has a good cash flow position and low gearing ratio which enables the Group to seize suitable investment opportunities from time to time. In addition, to further strengthen the financial position, the Group will also consider raising funds by suitable means when investment opportunities arise.

APPRECIATION

I would like to take this opportunity to express my gratitude to all our shareholders, fellow directors, customers, suppliers, business associates and staff for their continuing support and contributions to the Company's successful results.

Zhou Chu Jian He

Chairman

Hong Kong, 29 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The consolidated revenue and consolidated profit attributable to owners of the Company for the year ended 31 December 2011 amounted to approximately HK\$267,135,000 and HK\$140,144,000, representing respective increases of 25% and 34% over HK\$213,070,000 and HK\$104,903,000 for last year under review.

The Company's outstanding results were attributed to the increase in the selling prices resulting from the strong market demand for granulated slag powder in Xiang Zhong (湘中) District of Hunan Province, the People's Republic of China (the "PRC") and the increase in the profit resulting from the strong domestic demand in the retail sector in Wuhan, the PRC.

OPERATIONS REVIEW

CONSTRUCTION MATERIAL BUSINESS

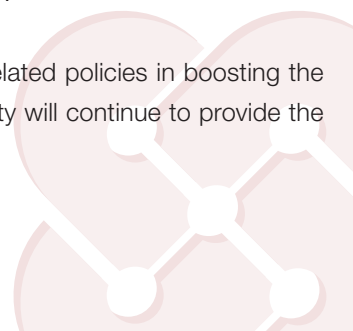
During the year under review, the Group's indirect 60%-owned subsidiary, Hunan Taiji Construction Material Co., Ltd. ("Hunan Taiji", principally engages in the business of manufacture and sale of slag powder) achieved excellent performance. It recorded a turnover and profits of approximately HK\$221,721,000 (2010: HK\$169,873,000) and HK\$72,999,000 (2010: HK\$36,558,000), representing an increase of 31% and 100% respectively compared to last year under review. The average selling prices of granulated slag powder was around HK\$213 per ton for the year under review, representing an increase of 47% over 2010 which reflected a strong demand for construction materials in Xiang Zhong (湘中) District of Hunan Province, the PRC.

Following to the rapid growth for the construction sector in the PRC in the past few years, it is expected that the growth rate will slow down in 2012. In the meantime, according to the on-going implementation of the urbanisation policy by the PRC Government, it is expected that the profit contribution from this sector will still be optimistic.

RETAIL BUSINESS IN WUHAN

The Group's share of profit from the indirect 49%-owned jointly-controlled entity amounted to approximately HK\$137,829,000 (2010: HK\$96,980,000), representing an increase of 42% over last year under review. Due to strong purchasing powers in Wuhan, the PRC, it recorded a sales growth of 21% for the year under review and remained the major profit contributor for the Group. Moreover, the Group also received the cash dividend of approximately HK\$65,135,000 (net of PRC withholding tax) for the first half of 2011.

With the gradual rise in the purchasing and spending powers of consumers and related policies in boosting the domestic demands in the PRC market, it is expected that the jointly-controlled entity will continue to provide the Group with a reliable income stream.



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW *(continued)*

INVESTMENT PROPERTIES IN BEIJING

During the year under review, the income from property leasing in Beijing, the PRC was approximately HK\$1,042,000 (2010: HK\$2,240,000), representing a decrease of 53% over 2010 due to the decrease in number of office units being let out and the revenue from sale of properties was HK\$27,361,000 (2010: Nil). This sector recorded a profit after tax of approximately HK\$8,041,000 (2010: HK\$2,357,000), representing an increase of 241% over 2010 which included a fair value gain of HK\$8,797,000 (2010: HK\$5,382,000) in respect of the revaluation of investment properties.

The Group will continue to identify new investment opportunities with high quality premises to enlarge its property portfolio.

PROPERTY MANAGEMENT AND AGENCY SERVICES BUSINESS

During the year under review, the Group's property management business recorded a turnover of approximately HK\$16,378,000 (2010: HK\$15,915,000), representing an increase of 3% over 2010. It suffered a loss after tax of approximately HK\$12,279,000 (2010: profit of approximately HK\$1,963,000) due to a compensation payment of approximately HK\$14,020,000 charged to the income statement for the year ended 31 December 2011 pursuant to a civil case judgment issued by a court in Wuhan, the PRC. Details of the case are shown under the section headed "Litigations" below.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY-CONTROLLED ENTITIES

Save as disclosed above, there is no material acquisition and disposal of subsidiaries, associated companies and jointly-controlled entities during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had net assets of approximately HK\$625,699,000 (2010: HK\$488,876,000) with total assets of approximately HK\$830,764,000 (2010: HK\$732,614,000) and total liabilities of approximately HK\$205,065,000 (2010: HK\$243,738,000). The Group's current ratio, which equals to current assets divided by current liabilities, was 1.58 (2010: 1.56).

The Group's bank balances and short term deposits which are mainly denominated in Hong Kong dollars and Renminbi ("RMB"), amounted to approximately HK\$145,333,000 as at 31 December 2011 (2010: HK\$124,826,000). The Group's gearing ratio, as a ratio of total interest-bearing borrowings and bank loan to total assets as at 31 December 2011, was 0.01 (2010: 0.13).

The directors believe that the Group currently has sufficient financial resources for its operations. However, the Group will remain cautious in its liquidity management.

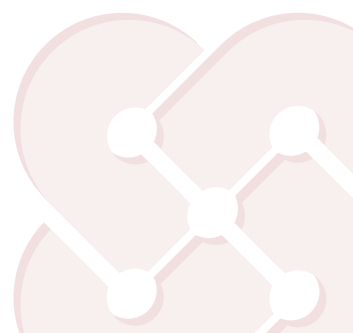
CAPITAL STRUCTURE AND TREASURY POLICIES

The Group adopts a prudent approach with respect to treasury and funding policies, with a focus on risk management and transactions that are directly related to the underlying business of the Group.

BORROWINGS

As at 31 December 2011, the Group had an unsecured other loan of approximately HK\$6,173,000 (2010: HK\$5,882,000) is denominated in RMB and interest-bearing at 9.5% per annum with no fixed term of repayment. In December 2011, the Group early repaid an interest-bearing bank loan of approximately RMB50,000,000. After repayment, both guarantees executed by a related company of the Group and a minority shareholder of a subsidiary have been released.

Save as disclosed above, the Group had no other borrowings as at 31 December 2011.



MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL COMMITMENTS

As at 31 December 2011, the Group had no capital commitments (2010: Nil).

CHARGE OF ASSETS

The Group did not have any pledge or charge on assets as at 31 December 2011.

LITIGATIONS

Details of litigations are shown in note 42 to the financial statements.

EXCHANGE RATE EXPOSURE

During the year under review, the business activities of the Group were mainly denominated in Hong Kong dollars and RMB. The Board does not consider that the Group is significantly exposed to any foreign currency exchange risk. For the year ended 31 December 2011, the Group did not commit to any financial instruments to hedge its potential exchange rate exposure.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2011, the Group had about 288 employees (2010: 303 employees) of whom 11 (2010: 9) are based in Hong Kong and 277 (2010: 294) based in the PRC and overseas. The number of workers employed by the Group varies from time to time depending on the industry need and they are remunerated under the employment term which is based on industry practice. The remuneration policy and package of the Group's employees are periodically reviewed by the Company's Remuneration Committee and approved by the executive directors. Apart from the pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhou Chu Jian He, aged 48, has been the Chairman and an executive director of the Company since October 2003 and also the chairman of nomination committee of the Company. Mr. Zhou acted as the Managing Director of the Company from 2003 to 2005. He is also currently the president of Junefield (Holdings) Limited (“JHL”, the ultimate holding company of the Group) and is responsible for the overall business of JHL. Mr. Zhou serves as a member of the Beijing Committee of the People’s Political Consultative Conference (中國人民政治協商會議北京委員會) in the People’s Republic of China (the “PRC”). Mr. Zhou has extensive experience in managing property development companies and in operating department stores in the PRC. Mr. Zhou also acts as a director of certain subsidiaries of the Company.

Mr. Ng Man Chung, Siman, aged 48, has been an executive director of the Company since March 2007 and is currently the deputy chairman of the Company. He is also currently a vice-general manager of Finance Department of JHL. Mr. Ng has more than 20 years of experience in finance and auditing. He has been the proprietor of M. C. Ng & Co. CPA since 1997 and a director of Elite Partners CPA Limited since 2007. Mr. Ng is a fellow member of The Hong Kong Institute of Certified Public Accountants, an associate member of The Institute of Chartered Accountants in England and Wales, and a fellow member of The Taxation Institute of Hong Kong. Mr. Ng holds a Diploma in Business Administration from Shue Yan College and a Master of Business Administration Degree from The Open University of Hong Kong. Mr. Ng also acts as a director of certain subsidiaries of the Company.

Mr. Liu Zhongsheng, aged 53, has been an executive director of the Company since March 2007 and is currently the chief executive officer and a member of nomination committee of the Company. He is also currently a vice-president of JHL. Mr. Liu was a deputy secretary of Economic Affairs Department, the Liaison Office of the Central People’s Government in Hong Kong (formerly known as Xinhua News Agency Hong Kong Branch). Mr. Liu was an executive director and the general manager of Guangnan (Holdings) Limited until 1 December 2000 and an Investment Advisor of Springridge Investment Management Limited. He holds a Degree in Economic and a Master’s Degree in Economics from Lanzhou University, the PRC, and completed an EMBA programme and obtained a Master’s Degree in EMBA from Tsinghua University, the PRC, in 2006. Mr. Liu also acts as a director of certain subsidiaries of the Company.

Mr. Zhang Xiaobing, aged 56, has been an executive director of the Company since February 2004. Mr. Zhang has been the general manager of Investment & Business Development Division of JHL since 2004. Mr. Zhang has extensive overseas work experience in international finance, investment and trade, and has accumulated over 30 years of experience in finance and investment in diverse Chinese industries. He had been a full member of Singapore Institute of Management for many years. Mr. Zhang finished his university education with a Bachelor’s Degree in the PRC. Afterwards, he obtained professional training in international banking and finance in the City of London, United Kingdom, and completed the Advanced Management Program: The International Senior Managers’ Program at Harvard Business School, Boston, United States of America. Mr. Zhang also acts as a director of certain subsidiaries of the Company.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS *(continued)*

Mr. Xiang Xianhong, aged 47, has been an executive director of the Company since November 2011 and is the vice president of JHL since November 2008. Mr. Xiang had been the general manager of Beijing Junefield Sogo Department Store. Mr. Xiang has extensive experience in education, corporate management, real estates, retail and department store sectors. Mr. Xiang holds a Master Degree in Engineering Science from the Hua Zhong University of Science and Technology, the PRC and obtained a certificate of senior technical qualification from the Ministry of Railways, the PRC. Mr. Xiang also acts as a director of the indirect jointly-controlled entity of the Company.

Mr. Lei Shuguang, aged 48, has been an executive director of the Company since November 2011 and is currently the general manager of Beijing Junefield Real Estate Development Co., Ltd. (indirectly-owned as to 55% by Mr. Zhou Chu Jian He, the chairman and the controlling shareholder of the Company). Mr. Lei has extensive experience in financial management, auditing, energy engineering and real estates industries. Mr. Lei holds a Master Degree in Business Administration from the China Europe International Business School, the PRC, and has completed the national audit examination of the National Audit Office of the PRC. Mr. Lei also acts as a director of an indirect subsidiary of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Jorge Edgar Jose Muñiz Ziches, aged 59, has been a non-executive director of the Company since December 2011. He obtained his bachelor's degree in laws from the Pontifical Catholic University of Peru in 1976. He is currently a Peruvian practising solicitor and is a founding partner and major partner of Estudio Muñiz, Ramirez, Perez-Taiman & Olaya Abogados, a solicitor firm in Peru. He has extensive experience in the Peruvian legal industry and is specialised in commercial law, banking and intellectual property. Mr. Muñiz Ziches had a few key appointments with the Ministry of Justice in Peru in relation to the law reform and legislation and was a member of the Peruvian Congress. He is currently the Peruvian legal consultant of JHL and, before his appointment, had provided independent legal services to an indirect wholly-owned subsidiary of the Company in Peru.

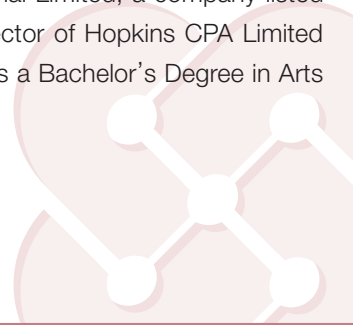
BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Man Kit, aged 58, has been an independent non-executive director of the Company since December 2002 and is a member of each of the audit committee and nomination committee; and the chairman of the remuneration committee of the Company. Mr. Leung has over 30 years of experience in project finance and corporate finance. He is currently an independent non-executive director and a member of audit committee of NetEase, which is a NASDAQ listed company. Mr. Leung is also an executive director of Chanceton Financial Group Limited and an independent non-executive director of China Ting Group Holdings Limited and Orange Sky Golden Harvest Entertainment (Holdings) Limited, all of which are companies listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Leung is also currently a Responsible Officer of Chanceton Capital Partners Limited which provides advice on corporate finance under a type 6 licence granted under the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong). Mr. Leung held senior positions with Peregrine Capital (China) Limited, SG Securities (HK) Limited (formerly known as Crosby Securities (Hong Kong) Limited), Swiss Bank Corporation, Hong Kong Branch and Optima Capital Limited (formerly known as KE Capital (Hong Kong) Limited). He was a director of Emerging Markets Partnership (Hong Kong) Limited which was the principal adviser to the AIG Infrastructure Fund L.P. Mr. Leung holds a Bachelor's Degree in Social Sciences from The University of Hong Kong.

Mr. Chan Kwok Wai, aged 53, has been an independent non-executive director of the Company since December 2002 and is the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company. Mr. Chan has over 30 years of experience in finance and accounting industry. He is a member of the Hong Kong Securities Institute and an associate member of the CPA Australia. Mr. Chan is currently an independent non-executive director of Chinese Estates Holdings Limited, Tern Properties Company Limited, China Investments Holdings Limited, National Electronics Holdings Limited and Far East Consortium International Limited, all being companies listed on the Main Board of the Stock Exchange. He is also currently a director of High Progress Consultants Limited. Mr. Chan holds a Bachelor's Degree of Business Administration from Monash University, Australia.

Mr. Lam Man Sum, Albert, aged 56, has been an independent non-executive director of the Company since September 2004 and is a member of each of the audit committee, remuneration committee and nomination committee of the Company. Mr. Lam is a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants as well as a member of the Hong Kong Securities Institute, Society of Chinese Accountants & Auditors, Taxation Institute of Hong Kong and Certified Tax Adviser. Mr. Lam is currently an independent non-executive director of Dragonite International Limited, a company listed on the Main Board of the Stock Exchange. Mr. Lam was the shareholder and director of Hopkins CPA Limited and was the proprietor of Albert Lam & Co. CPA from 1993 to 2007. Mr. Lam holds a Bachelor's Degree in Arts (Economics) from the University of Manchester, the United Kingdom.



REPORT OF THE DIRECTORS

The board of directors of the Company (the “Board”) present their report together with the audited financial statements of the Company together with its subsidiaries (collectively the “Group”) for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the principal activities of its principal subsidiaries and a jointly-controlled entity are set out in notes 21 and 22 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on page 32.

An interim dividend of HK1 cent per share for 2011 (2010: HK1 cent per share), totalling approximately HK\$10,162,000 was paid on 14 September 2011. The Board has resolved to recommend the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2011 (2010: HK1.5 cents per share), amounting to approximately HK\$15,243,000.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

Details of investment properties of the Group are set out on page 125.

DONATIONS

The Group did not make any donation during the year (2010: HK\$2,294,000).

PRINCIPAL SUBSIDIARIES AND JOINTLY-CONTROLLED ENTITY

Details of the Company’s principal subsidiaries and a jointly-controlled entity are set out in notes 21 and 22 to the financial statements.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 37 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 39 to the financial statements and in the consolidated statement of changes in equity on page 37 respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company had retained profits available for cash distribution and/or distribution in specie, amounted to HK\$51,493,000 of which approximately of HK\$15,243,000 has been proposed as a final dividend for the year.

PRE-EMPTIVE RIGHTS

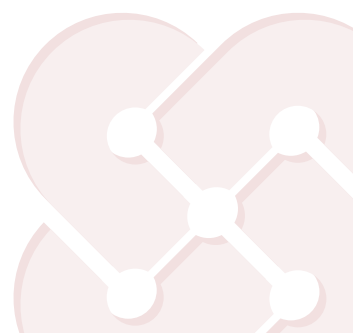
There are no provisions for pre-emptive rights under the bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 126.

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

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



REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

A share option scheme was adopted pursuant to the written resolutions passed by the shareholders of the Company on 29 June 2009 (the “Share Option Scheme”). The purpose of the Share Option Scheme is to provide incentives to eligible participants who contribute to the success of the Group’s operations. Further details of the Share Option Scheme are set out in note 38 to the financial statements.

During the year under review, details of the movements of the outstanding share options granted under the Share Option Scheme are as follows:

	Date of grant	Exercisable period	Number of share options			Balance as at 31 December 2011	Exercise price per share	Weighted average closing price
			Balance as at 1 January 2011	Granted during the year (Note 2)	Exercised during the year (Note 3)			
Directors (Note 1)			40,480,000	-	(13,700,000)	26,780,000	0.229	0.65
Other participants in aggregate	6 July 2009	6 July 2009-5 July 2019	17,200,000	-	-	17,200,000	0.229	-
			<u>57,680,000</u>	<u>-</u>	<u>(13,700,000)</u>	<u>43,980,000</u>		

Notes:

- Movements of the share options granted to the directors of the Company are shown under the section headed “Directors’ and Chief Executives’ Interests in Securities” of this report.
- No share options have been granted, forfeited or cancelled during the year ended 31 December 2011.
- A total of 13,700,000 share options were exercised during the year ended 31 December 2011. The weighted average closing price of the shares immediately before the dates on which the share options were exercised was HK\$0.65.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers in aggregate accounted for 48% of the total turnover for the year and sales to the largest customer included therein accounted for 11%. Purchases from the Group's five largest suppliers accounted for 75% of the total purchases for the year and purchases from the largest supplier included therein accounted for 23%.

During the year, one of the five largest suppliers is a subsidiary of the minority shareholder of Hunan Taiji Construction Material Company Limited ("Hunan Taiji"), a 60%-owned subsidiary of the Group.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five customers and suppliers.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Zhou Chu Jian He (*Chairman*)
Mr. Ng Man Chung, Siman (*Deputy Chairman*)
Mr. Liu Zhongsheng (*Chief Executive Officer*)
Mr. Zhang Xiaobing
Mr. Xiang Xianhong (appointed on 1 November 2011)
Mr. Lei Shuguang (appointed on 1 November 2011)

NON-EXECUTIVE DIRECTOR

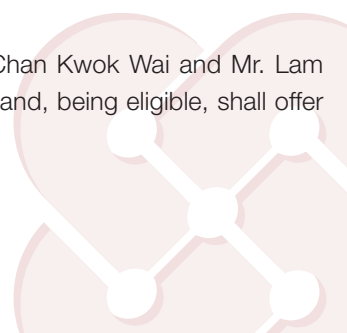
Mr. Jorge Edgar Jose Muñiz Ziches (appointed on 16 December 2011)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Man Kit
Mr. Chan Kwok Wai
Mr. Lam Man Sum, Albert

In accordance with the Company's bye-law 86(2), Mr. Xiang Xianhong, Mr. Lei Shuguang and Mr. Jorge Edgar Jose Muñiz Ziches shall retire at the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election.

In accordance with the Company's bye-law 87, Mr. Ng Man Chung, Siman, Mr. Chan Kwok Wai and Mr. Lam Man Sum, Albert shall retire by rotation at the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election.



REPORT OF THE DIRECTORS

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of directors of the Company are set out on pages 9 to 11 of this report.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation (other than statutory compensations). Details of directors' remuneration are set out in note 11 to the financial statements.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions of the Group during the year ended 31 December 2011 (collectively the "2011 Continuing Connected Transactions") subject to annual review requirements pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") are set out below:

1. On 29 November 2010, Hunan Taiji and Lianyuan Logistics Co., Ltd. ("Lianyuan Logistics") entered into a logistics service agreement for the services of transportation of granulated steel slag for the period commencing from 1 January 2010 to 31 December 2011 (the "Logistics Transaction"). Lianyuan Logistics is a connected person of the Company under the Listing Rules and therefore the Logistics Transaction constituted a continuing connected transaction of the Group, details of which are set out in the Company's circular dated 22 December 2010. The Logistics Transaction and its annual caps were approved by independent shareholders of the Company at a special general meeting held on 11 January 2011.

During the year ended 31 December 2011, the logistics services fee charged by Lianyuan Logistics amounted to approximately HK\$11,502,000 (VAT inclusive) or HK\$10,697,000 (VAT exclusive).

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS (continued)

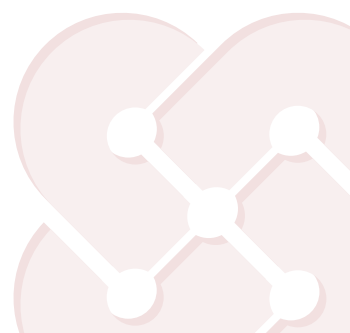
- Hunan Taiji purchased granulated steel slag from Hualing Steel Co., Ltd. ("Hualing Steel") for its production. During the year under review, the terms for the supply of granulated steel slag were same under the supply agreement made between Hunan Taiji and Hualing Steel on 26 December 2008. Hualing Steel is a connected person of the Company under the Listing Rules and therefore the transaction of supply of the granulated steel slag constituted a continuing connected transaction of the Group, details of which are set out in the Company's announcement dated 15 October 2010 and 22 June 2011.

During the year ended 31 December 2011, the purchases amounted to approximately HK\$5,378,000 (VAT inclusive) or HK\$4,598,000 (VAT exclusive).

The independent non-executive directors of the Company have reviewed the 2011 Continuing Connected Transactions and confirmed that the 2011 Continuing Connected Transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Pursuant to Chapter 14A of the Listing Rules, the Company has engaged the auditors of the Company to perform certain agreed-upon procedures on the 2011 Continuing Connection Transactions in accordance with applicable accounting standards adopted for the preparation of the financial statements. The auditors have reported and confirmed to the Board that the 2011 Continuing Connected Transactions (i) have received the approval of the Board; (ii) have been entered into in accordance with the pricing policies of the Group; (iii) have been entered into in accordance with the terms of the agreements governing the transaction; and (iv) have not exceeded the cap amounts for the year ended 31 December 2011 as set out in the Company's announcements and circular aforesaid.

The related party transactions or continuing related party transactions (as the case may be) which did not fall under Chapter 14A of the Listing Rules are set out in note 43 to the financial statements.



REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this annual report and except for those set out below, no director of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies and subsidiaries was a party during the year:

Nature of the contract	Name of the parties to the contract	Duration of the contract	Nature of director's interest
1. Tenancy agreement in respect of an office in Hong Kong	(1) the Company (2) Junefield (Holdings) Limited ("JHL")	2 years (starting from 1 January 2011 up to 31 December 2012)	Mr. Zhou Chu Jian He is the beneficial owner of the entire issued share capital of JHL
2. Guarantee fee agreement	(1) Hunan Taiji (2) Beijing Junefield Sogo Department Store (as the Guarantor)	21 January 2009 to 27 December 2015	Mr. Zhou Chu Jian He has control over the operations and financial activities of the Guarantor

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

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

(a) LONG POSITION IN SHARES

Name of director	Number of shares held	Percentage of the Company's issued share capital
Mr. Zhou Chu Jian He	697,837,417 (Note)	68.67
Mr. Ng Man Chung, Siman	7,008,000	0.69
Mr. Zhang Xiaobing	5,000,000	0.49
Mr. Lam Man Sum, Albert	1,700,000	0.17
Mr. Chan Kwok Wai	1,000,000	0.10
Mr. Leung Man Kit	266,000	0.03

Note: These 697,837,417 shares are held by Prime Century Investments Limited ("PCI"), a company wholly-owned by JHL. Mr. Zhou Chu Jian He is the beneficial owner of the entire issued share capital of JHL.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

(continued)

(b) LONG POSITION IN UNDERLYING SHARES – SHARE OPTIONS

The following directors of the Company have personal interests in options to subscribe for shares of the Company:

Name	Date of grant	Exercisable period	Number of share options			Balance as at 31 December 2011	Exercise price per share HK\$
			Balance as at 1 January 2011	Granted during the year	Exercised during the year		
Mr. Zhou Chu Jian He	6 July 2009	6 July 2009 – 5 July 2019	9,980,000	–	–	9,980,000	0.229
Mr. Ng Man Chung, Siman	6 July 2009	6 July 2009 – 5 July 2019	6,000,000	–	(6,000,000)	–	0.229
Mr. Liu Zhongsheng	6 July 2009	6 July 2009 – 5 July 2019	5,000,000	–	–	5,000,000	0.229
Mr. Zhang Xiaobing	6 July 2009	6 July 2009 – 5 July 2019	5,000,000	–	(5,000,000)	–	0.229
Mr. Leung Man Kit	6 July 2009	6 July 2009 – 5 July 2019	4,500,000	–	–	4,500,000	0.229
Mr. Chan Kwok Wai	6 July 2009	6 July 2009 – 5 July 2019	5,000,000	–	(1,000,000)	4,000,000	0.229
Mr. Lam Man Sum, Albert	6 July 2009	6 July 2009 – 5 July 2019	5,000,000	–	(1,700,000)	3,300,000	0.229
			40,480,000	–	(13,700,000)	26,780,000	

Note: The cash consideration paid by each of the directors for the grant of share option is HK\$1.

Save as disclosed above, as at 31 December 2011, so far as is known to the directors and the chief executives of the Company, no other person had interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register as required to be kept by the Company under section 352 of the SFO or as otherwise pursuant to the Model Code, notified to the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2011, so far as is known to the directors and the chief executives of the Company, the interests or short positions of the persons (other than directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
PCI (Note)	Directly beneficially owned	697,837,417	68.67
JHL (Note)	Through a controlled corporation	697,837,417	68.67

Note: These 697,837,417 shares are held by PCI, a company wholly-owned by JHL. Mr. Zhou Chu Jian He is the beneficial owner of the entire issued share capital of JHL.

Save as disclosed above, as at 31 December 2011, the Company had not been notified of any person (other than the directors or chief executives of the Company) having any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the interests disclosed in the section headed "Directors' and Chief Executives' Interests in Securities" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies and subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, during the year ended 31 December 2011, the following director of the Company was considered to have interests in the following businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESSES (continued)

Mr. Zhou Chu Jian He, the chairman and the substantial shareholder of the Company, currently engages in businesses including property management and agency services, properties investment and consultancy services for retail business through a number of private companies (collectively the "Private Group").

In the event that there are transactions between the Private Group and the Company, Mr. Zhou Chu Jian He, as and when required under the Company's bye-laws, will abstain from voting on any board resolution in respect of any contract, arrangement, or proposal in which he or any of his associates has a material interest.

As the Board is independent from the board of directors of the Private Group and maintains three independent non-executive directors, the Group is capable of carrying on its businesses independently of, and at an arm's length from, the businesses of the Private Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, at least 25% of the total issued share capital of the Company was held by the public as required under the Listing Rules.

CORPORATE GOVERNANCE

The Corporate Governance Report of the Company is set out on pages 22 to 29 of this report.

AUDITORS

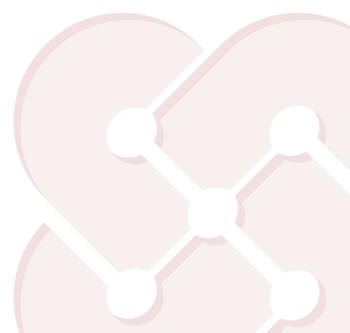
The financial statements have been audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ng Man Chung, Siman

Director

Hong Kong, 29 March 2012



CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining high standard of corporate governance practices. The Company has adopted all the code provisions (the “Code Provisions”) as stated in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

For the year under review, the Company has complied with all the Code Provisions except for the deviation in respect of the communication with shareholders under code provision E.1.2 of the CG Code.

Under the code provision E.1.2. of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Zhou Chu Jian He, the chairman of the board of the Company (the “Board”), did not attend the annual general meeting of the Company held on 30 May 2011 due to other business engagement. The Deputy Chairman of the Board, the chairman of the Audit Committee and the chairman of the Remuneration Committee were present at the said annual general meeting to answer the shareholders’ questions.

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. The Company has made specific enquiry of all Directors whether they have complied with the Model Code and all Directors confirmed that they have complied with the Model Code for the year ended 31 December 2011.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION

The Board currently comprises ten Directors and is of the opinion that it has a balance of skill and experience based on the following composition:

EXECUTIVE DIRECTORS

Mr. Zhou Chu Jian He (*Chairman*)
Mr. Ng Man Chung, Siman (*Deputy Chairman*)
Mr. Liu Zhongsheng (*Chief Executive Officer*)
Mr. Zhang Xiaobing
Mr. Xiang Xianhong
Mr. Lei Shuguang

NON-EXECUTIVE DIRECTOR

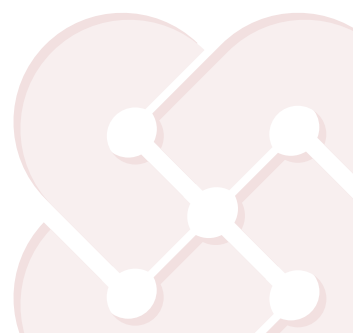
Mr. Jorge Edgar Jose Muñiz Ziches

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Man Kit
Mr. Chan Kwok Wai
Mr. Lam Man Sum, Albert

Most of the Independent Non-Executive Directors possess appropriate professional qualification and/or experience in accounting and/or related financial management expertise. Throughout the year ended 31 December 2011, the Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules.

The brief biographical details of each Director are set out on pages 9 to 11 of this annual report. Save as disclosed above, there are no other relationship (including financial, business, family or other material or relevant relationships) among members of the Board and also between the chairman and the chief executive officer.



CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The regular Board meetings are scheduled to be held at least four times a year at approximately quarterly intervals and additional meetings are held as and when the Board thinks appropriate. Board meetings involve active participation, either in person or through other electronic means of communication, of a majority of directors. During the year, the Board has held four regular Board meetings at about quarterly intervals. Attendance of each individual Director at the Board meetings in the year 2011 is set out below:

	Attendance Regular Board meetings
Executive Directors	
Mr. Zhou Chu Jian He (<i>Chairman</i>)	3/4
Mr. Ng Man Chung, Siman (<i>Deputy Chairman</i>)	4/4
Mr. Liu Zhongsheng (<i>Chief Executive Officer</i>)	4/4
Mr. Zhang Xiaobing	4/4
Mr. Xiang Xianhong (appointed on 1 November 2011)	–
Mr. Lei Shuguang (appointed on 1 November 2011)	–
Non-Executive Director	
Mr. Jorge Edgar Jose Muñoz Ziches (appointed on 16 December 2011)	–
Independent Non-Executive Directors	
Mr. Leung Man Kit	4/4
Mr. Chan Kwok Wai	4/4
Mr. Lam Man Sum, Albert	3/4

Notice of at least 14 days is given to all Directors in advance for regular Board meetings. For other Board meetings, reasonable notice period is given. Meeting agendas and other relevant information are normally provided to the Directors at least 3 days in advance of the Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

Minutes of Board meetings are recorded in sufficient detail the matters considered by the Board and are kept by the company secretary. Both draft and final versions of the minutes are sent to all Directors for their comments and records. Directors have access to the company secretary who is responsible to the Board for ensuring that Board meeting procedures are followed.

CORPORATE GOVERNANCE REPORT

BOARD RESPONSIBILITY

On top of the regulatory and statutory responsibilities, the main duties of the Board include formulating strategy as well as monitoring and controlling operating and financial performance of the Group. The Board is also responsible for promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. All Directors (including Independent Non-Executive Directors) have been consulted on major and material matters of the Company and have made active contribution to the affairs of the Board. All Directors are aware of their collective and individual responsibilities to the shareholders of the Company and are committed to act in good faith and make decisions in the best interests of both the Group and the shareholders of the Company.

The Board delegates day-to-day management of the businesses of the Group to the chief executive officer and the management of the relevant principal divisions. Audit Committee and Remuneration Committee are set up to assist the Board in discharge of its duties and to oversee particular aspects of the Group's affairs. Nomination Committee has also been established since March 2012. All Committees have specific functions and authority to examine issues and report to the Board with their recommendations. The final decisions are rested with the Board, unless otherwise provided in terms of reference of the relevant Committees.

DIRECTORS' RESPONSIBILITY IN PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities, with the support from the finance department of the Company, to prepare the consolidated financial statements of the Group for the year ended 31 December 2011 that give a true and fair view of the state of affairs of the Group and ensure that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern. The Board has prepared the consolidated financial statements on a going concern basis. The statement of the auditors of the Company regarding their reporting responsibilities for the financial statements is set out in the Independent Auditors' Report on pages 30 to 31 of this annual report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role of the chairman of the board and the chief executive officer are segregated and are not exercised by the same individual. Mr. Zhou Chu Jian He is the Chairman and is responsible for the leadership and the effective operation of the Board. Mr. Liu Zhongsheng is the Chief Executive Officer and is responsible for the management of the Group's businesses in all aspects effectively, the implementation of the strategies approved by the Board and assuming full accountability to the Board for the operations of the Group.



CORPORATE GOVERNANCE REPORT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Independent Non-Executive Directors serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements, and provide adequate checks and balances to safeguard the interests of shareholders of the Company and the Company. Each of the Independent Non-Executive Directors has been appointed for a term of two years and subject to retirement by rotation at annual general meeting and, being eligible, offer themselves for re-election.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-Executive Directors met the independent guideline as set out in Rule 3.13 of the Listing Rules and are independent. The Independent Non-Executive Directors are explicitly identified in all of the Company's corporate communications.

NOMINATION, APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company did not have a nomination committee during the year and the role and function of this committee were performed by the Board. The Directors would select proposed new Directors based on their skills, experience and who, in the opinion of the Directors, were able to make a positive contribution to the performance of the Board. The Board also reviewed its composition to ensure that the Board has a balance of knowledge and experience appropriate for the requirements of the businesses of the Company. The Nomination Committee has been set up since 29 March 2012 to review and make recommendations for new candidates to the Board.

In accordance with the bye-laws of the Company, at each annual general meeting one-third of the Directors for the time (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The Directors shall have the power to appoint any person as a director either to fill a casual vacancy on the Board or, subject to authorization by the members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined by the members in that general meeting. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. All the three new Directors appointed during the year are going to retire and eligible for re-election at the coming annual general meeting.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 15 July 2005. The Remuneration Committee comprises three Independent Non-Executive Directors, namely, Mr. Leung Man Kit, Mr. Chan Kwok Wai and Mr. Lam Man Sum, Albert. Mr. Leung Man Kit is the chairman of the Remuneration Committee.

The principle responsibility of the Remuneration Committee includes making recommendation to the Board on the Company's policy and structure 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 remuneration of Directors are based on the skill and contribution in the Company's affairs and are determined by reference to duties and responsibilities of the Executive Directors after considering the Group's performance and the prevailing market situations including salaries paid by comparable companies. No Director is involved in determining his own remuneration. Terms of reference of the Remuneration Committee are available at the Company's website.

During 2011, the Remuneration Committee held one meeting with 100% attendance of its members and performed its duties in accordance with its terms of reference and reviewed the remuneration packages of the Directors and employees of the Company and made recommendations on remuneration policies to the Board.

Members of Remuneration Committee	Attendance
Mr. Leung Man Kit (<i>Chairman</i>)	1/1
Mr. Chan Kwok Wai	1/1
Mr. Lam Man Sum, Albert	1/1

The remuneration paid to each Director for 2011 are shown in note 11 to the financial statements.

AUDITORS' REMUNERATION

The external auditors of the Company are HLB Hodgson Impey Cheng and provided services to the Company in respect of the audit of Company's financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards and applicable disclosure requirements of the Hong Kong Companies Ordinance for the year ended 31 December 2011.

The fee in respect of audit service provided by the external auditors to the Company for the year ended 31 December 2011 was approximately HK\$604,000 (2010: HK\$584,000). The fees paid to the external auditors for non-audit services were HK\$130,000 (2010: HK\$128,000).

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Audit Committee was established on 10 November 1999 with written terms of reference. The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Chan Kwok Wai, Mr. Leung Man Kit and Mr. Lam Man Sum, Albert, and is chaired by Mr. Chan Kwok Wai. Most members of the Audit Committee possess appropriate professional qualifications and/or experience in accounting and/or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The Company has complied with Rule 3.21 of the Listing Rules.

The revised written terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee held three meetings in 2011 with 100% attendance of its members:

Members of Audit Committee	Attendance
Mr. Chan Kwok Wai (<i>Chairman</i>)	3/3
Mr. Leung Man Kit	3/3
Mr. Lam Man Sum, Albert	3/3

During the year under review, the Audit Committee performed its duties in accordance with its terms of reference, the work performed by the Audit Committee included:

- review of the financial reports for the six-months ended 30 June 2011 and for the year ended 31 December 2011;
- review and approve the remuneration and terms of engagement of the external auditors for the year 2011;
- review of the effectiveness of the internal control system;
- review, comment and provide recommendations on the internal control report;
- review and comment on the financial position of the Group; and
- review and comment on the continuing connected transactions and their caps.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board acknowledges that an effective internal control system which is designed to monitor and response appropriately to significant risk, to safeguard assets, to provide reasonable assurance from fraud and errors and to ensure compliance of applicable law and regulations is essential for effective and efficient operations of a company. Furthermore, the internal control system is designed to manage rather than eliminate the risk of failure and can only provide reasonable and not absolute assurance against material misstatement or loss.

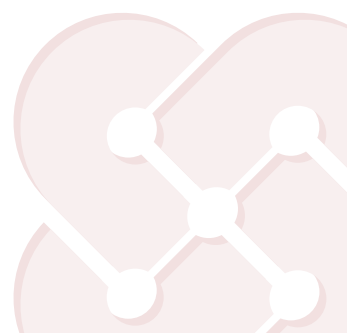
The Group has in place an effective internal control system which encompasses sound control environment, appropriate segregation of duties, well-defined policies and procedures, close monitoring and is reviewed and enhanced by the management at regular intervals.

The Group is committed to maintain and uphold good corporate governance practices and internal control system. The Group (excluding the 49% jointly-controlled entity, Wuhan Plaza Management Co., Ltd.) has performed annual review on the effectiveness of the internal control system through its management and also engaged an external consultant to conduct an annual review of manufacture and sale of construction materials business segment in Hunan, the PRC and make recommendations for improvement and strengthening of its internal control system. In respect of the year ended 31 December 2011, based on the reports on the findings from the management and external consultant, the Board was satisfied that the Group has operated an effective internal control system.

INVESTOR RELATIONS

The Directors are aware of the importance of maintaining good relations and communications with shareholders of the Company. The Company continues to promote and enhance investor relations and communication with its investors. The Company uses a range of communication tools, such as annual general meetings, annual and interim reports, various notices, announcements and circulars etc, to ensure its shareholders are kept informed of the Company's information.

The Company has maintained a website at <http://junefield.etnet.com.hk>, which serves as a platform for corporate communications with its shareholders and the general public. All corporate communications required under the Listing Rules are displayed (for documents published in the previous 5 years) on the Company's website, which has established procedures to ensure timely update in compliance with the Listing Rules.



INDEPENDENT AUDITORS' REPORT



Chartered Accountants
Certified Public Accountants

31/F., Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF JUNEFIELD DEPARTMENT STORE GROUP LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Junefield Department Store Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 124, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

AUDITORS' RESPONSIBILITY (continued)

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

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

OPINION

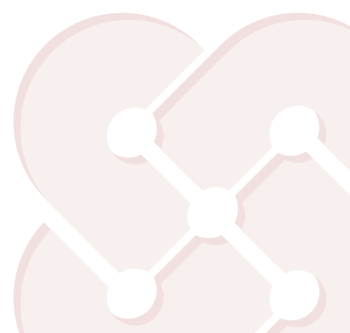
In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly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

HLB Hodgson Impey Cheng

Chartered Accountants

Certified Public Accountants

Hong Kong, 29 March 2012



CONSOLIDATED INCOME STATEMENTFor the year ended 31 December 2011
(Expressed in Hong Kong dollars)

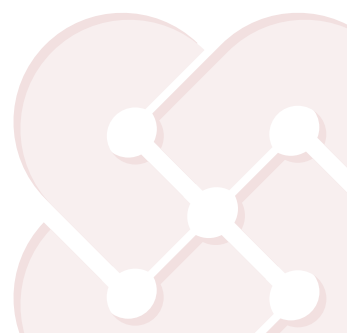
	Note	2011 HK\$'000	2010 HK\$'000
Revenue	8	267,135	213,070
Cost of sales and services		(141,231)	(129,652)
Gross profit		125,904	83,418
Other income	8	4,808	3,750
Selling and distribution expenses		(1,678)	(1,394)
Administrative expenses		(41,385)	(36,711)
Other operating expenses		(26,366)	(12,479)
Fair value gains on investment properties	18	8,797	5,382
Fair value (losses)/gains, net:			
Equity investments at fair value through profit or loss – held for trading		(5,355)	3,371
Operating profit	9	64,725	45,337
Finance costs	10	(8,401)	(7,943)
Gain on disposal of subsidiaries	40	–	165
Share of profit of a jointly-controlled entity	22	137,829	96,980
Profit before tax		194,153	134,539
Income tax expense	13	(30,826)	(15,013)
Profit for the year		163,327	119,526
Attributable to:			
Owners of the Company		140,144	104,903
Non-controlling interests		23,183	14,623
		163,327	119,526
Earnings per share attributable to owners of the Company	16		
Basic		HK13.88 cents	HK10.49 cents
Diluted		HK13.44 cents	HK10.21 cents

Details of the dividends payable and proposed for the year are disclosed in note 14 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	2011 HK\$'000	2010 HK\$'000
Profit for the year	163,327	119,526
Other comprehensive income		
Exchange differences on translation of foreign operations	18,558	5,708
Other comprehensive income for the year, net of tax	18,558	5,708
Total comprehensive income for the year	181,885	125,234
Attributable to:		
Owners of the Company	152,737	108,311
Non-controlling interests	29,148	16,923
	181,885	125,234



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 HK\$'000	2010 HK\$'000
Non-current assets			
Property, plant and equipment	17	250,328	236,494
Investment properties	18	40,332	30,645
Prepaid land lease payments	19	24,811	23,977
Other intangible asset	20	147,879	151,220
Investment in a jointly-controlled entity	22	148,996	83,554
Available-for-sale investment	23	–	–
Total non-current assets		612,346	525,890
Current assets			
Inventories	24	4,202	4,080
Properties held for sale	25	–	20,898
Accounts receivable	26	31,054	5,930
Prepayments, deposits and other receivables	27	6,435	11,883
Amount due from a jointly-controlled entity	22	4,502	6,726
Amount due from a joint venturer	28	–	2,445
Amounts due from related companies	29	11,549	9,238
Equity investments at fair value through profit or loss	31	15,343	20,698
Time deposits	32	116,055	76,157
Cash and bank balances	32	29,278	48,669
Total current assets		218,418	206,724
Current liabilities			
Accounts payable	33	7,441	9,314
Other payables and accruals	34	90,237	82,722
Amount due to the ultimate holding company	30	27	31
Amounts due to related companies	30	3,777	2,997
Amount due to a joint venturer	30	19	–
Dividend payable to non-controlling interests		25,143	–
Tax payable		5,286	2,827
Interest-bearing bank and other borrowings	35	6,173	34,952
Total current liabilities		138,103	132,843
Net current assets		80,315	73,881
Total assets less current liabilities		692,661	599,771

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

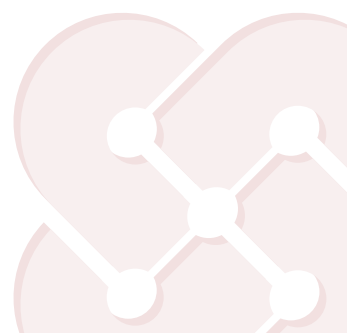
(Expressed in Hong Kong dollars)

	Note	2011 HK\$'000	2010 HK\$'000
Non-current liabilities			
Interest-bearing bank and other borrowings	35	–	58,139
Deferred tax liabilities	36	66,962	52,756
Total non-current liabilities		66,962	110,895
Net assets			
Equity			
Equity attributable to owners of the Company			
Issued capital	37	101,617	100,247
Reserves	39	405,271	276,093
		506,888	376,340
Non-controlling interests		118,811	112,536
Total equity		625,699	488,876

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2012 and are signed on its behalf by:

Ng Man Chung, Siman
Director

Liu Zhongsheng
Director



STATEMENT OF FINANCIAL POSITION

At 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 HK\$'000	2010 HK\$'000
Non-current assets			
Property, plant and equipment	17	124	96
Investments in subsidiaries	21	2,016	2,016
Total non-current assets		2,140	2,112
Current assets			
Prepayments, deposits and other receivables	27	494	1,841
Amounts due from subsidiaries	21	179,718	180,564
Equity investments at fair value through profit or loss	31	3,745	7,299
Time deposits	32	72,046	42,004
Cash and bank balances	32	3,385	3,649
Total current assets		259,388	235,357
Current liabilities			
Other payables and accruals	34	9,586	5,860
Amounts due to subsidiaries	21	–	386
Amount due to the ultimate holding company	30	27	31
Amount due to a related company	30	887	407
Interest-bearing other borrowings	35	6,173	5,882
Total current liabilities		16,673	12,566
Net current assets		242,715	222,791
Total assets less current liabilities		244,855	224,903
Net assets		244,855	224,903
Equity			
Equity attributable to owners of the Company			
Issued capital	37	101,617	100,247
Reserves	39	143,238	124,656
Total equity		244,855	224,903

Ng Man Chung, Siman
Director

Liu Zhongsheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	Attributable to owners of the Company							Non-controlling interests	Total equity		
		Issued capital	Share premium account	Capital reserve	Statutory surplus reserve	Share option reserve	Exchange fluctuation reserve	Retained profits			Proposed final dividend	Total
		HK\$'000 (Note 37)	HK\$'000	HK\$'000 (Note 39)	HK\$'000 (Note 39)	HK\$'000 (Note 39)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2010		99,957	66,740	19,170	1,916	7,631	588	81,362	14,994	292,358	95,613	387,971
Comprehensive income												
Profit or loss		-	-	-	-	-	-	104,903	-	104,903	14,623	119,526
Other comprehensive income												
Exchange differences on translation of foreign operations		-	-	-	-	-	3,408	-	-	3,408	2,300	5,708
Total comprehensive income for the year		-	-	-	-	-	3,408	104,903	-	108,311	16,923	125,234
Issue of shares upon exercise of share options	38	290	740	-	-	(365)	-	-	-	665	-	665
Final 2009 dividend paid		-	-	-	-	-	-	-	(14,996)	(14,996)	-	(14,996)
Interim 2010 dividend paid	14	-	-	-	-	-	-	(9,998)	-	(9,998)	-	(9,998)
Proposed final 2010 dividend	14	-	-	-	-	-	-	(15,037)	15,037	-	-	-
Transfer from retained profits		-	-	-	3,918	-	-	(3,920)	2	-	-	-
At 31 December 2010		100,247	67,480	19,170	5,834	7,266	3,996	157,310	15,037	376,340	112,536	488,876
At 1 January 2011		100,247	67,480	19,170	5,834	7,266	3,996	157,310	15,037	376,340	112,536	488,876
Comprehensive income												
Profit or loss		-	-	-	-	-	-	140,144	-	140,144	23,183	163,327
Other comprehensive income												
Exchange differences on translation of foreign operations		-	-	-	-	-	12,593	-	-	12,593	5,965	18,558
Total comprehensive income for the year		-	-	-	-	-	12,593	140,144	-	152,737	29,148	181,885
Issue of shares upon exercise of share options	38	1,370	3,493	-	-	(1,726)	-	-	-	3,137	-	3,137
Share issue expenses	38	-	(11)	-	-	-	-	-	-	(11)	-	(11)
Dividends payable to non-controlling interests		-	-	-	-	-	-	-	-	-	(22,873)	(22,873)
Final 2010 dividend paid	14	-	-	-	-	-	-	-	(15,153)	(15,153)	-	(15,153)
Interim 2011 dividend paid	14	-	-	-	-	-	-	(10,162)	-	(10,162)	-	(10,162)
Proposed final 2011 dividend	14	-	-	-	-	-	-	(15,243)	15,243	-	-	-
Transfer from retained profits		-	-	-	5,673	-	-	(5,789)	116	-	-	-
At 31 December 2011		101,617	70,962	19,170	11,507	5,540	16,589	266,260	15,243	506,888	118,811	625,699

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

(Expressed in Hong Kong dollars)

	Note	2011 HK\$'000	2010 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		194,153	134,539
Adjustments for:			
Finance costs	10	8,401	7,943
Share of profit of a jointly-controlled entity	22	(137,829)	(96,980)
Bank interest income	8	(1,219)	(465)
Reversal of impairment of accounts receivable	8	(24)	(112)
Reversal of impairment of amount due from a joint venturer	8	–	(1,735)
Loss on disposal of property, plant and equipment	9	–	701
Gain on disposal of subsidiaries	40	–	(165)
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss – held for trading		5,355	(3,371)
Depreciation of property, plant and equipment	9	21,964	18,782
Amortisation of prepaid land lease payments	19	537	383
Amortisation of other intangible asset	20	12,345	11,779
Changes in fair value of investment properties	18	(8,797)	(5,382)
		94,886	65,917
Increase in inventories		(122)	(1,788)
Increase in equity investments at fair value through profit or loss		–	(6,564)
Decrease in properties held for sale		20,898	–
(Increase)/decrease in accounts receivable		(25,100)	8,866
Decrease/(increase) in prepayments, deposits and other receivables		5,448	(2,207)
Decrease/(increase) in amount due from a jointly-controlled entity		2,224	(1,614)
Decrease/(increase) in amount due from a joint venturer		2,464	(310)
Increase in amounts due from related companies		(2,311)	(6,643)
(Decrease)/increase in accounts payable		(1,873)	2,943
Increase in other payables and accruals		10,273	14,796
Increase/(decrease) in amounts due to related companies		780	(2,134)
Cash generated from operations		107,567	71,262
Bank interest received		1,219	465
Hong Kong profits tax refunded		–	716
Hong Kong profits tax paid		(193)	(179)
Overseas tax paid		(10,003)	(6,325)
Net cash flows from operating activities		98,590	65,939

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 HK\$'000	2010 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from a jointly-controlled entity		65,135	88,083
Purchases of items of property, plant and equipment		(23,173)	(48,956)
Purchases of investment properties		–	(10,074)
Payment for prepaid land lease payments		(1,803)	(1,360)
Proceeds from disposal of property, plant and equipment		–	1,691
Disposal of subsidiaries	40	–	(4)
Decrease/(increase) in short-term time deposits		32,148	(67,147)
Net cash flows from/(used in) investing activities		72,307	(37,767)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,137	665
Share issuance expenses	37	(11)	–
Repayment of amount due to the ultimate holding company		(4)	(373)
Dividends paid		(25,315)	(24,994)
Repayment of interest-bearing bank borrowings		(90,180)	(28,681)
Interest paid and financial guarantee expenses		(8,401)	(9,430)
Net cash flows used in financing activities		(120,774)	(62,813)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		50,123	(34,641)
Cash and cash equivalents at beginning of year		48,669	82,736
Effect of foreign exchange rate changes, net		2,532	574
CASH AND CASH EQUIVALENTS AT END OF YEAR		101,324	48,669
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	32	29,278	48,669
Non-pledged time deposits with original maturity of less than three months when acquired	32	72,046	–
Cash and cash equivalents as stated in statement of cash flows		101,324	48,669

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

1. CORPORATE INFORMATION

Junefield Department Store Group Limited (the “Company”) is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business in Hong Kong of the Company are disclosed in the corporate information section on page 2 of this annual report.

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

- property investment;
- provision of property management and agency services;
- manufacture and sale of construction materials; and
- trading of coal.

In the opinion of the directors, the immediate holding company of the Company is Prime Century Investments Limited (“PCI”), a company incorporated in the British Virgin Islands, and the ultimate holding company of the Company is Junefield (Holdings) Limited (“JHL”), a company incorporated in Hong Kong.

2.1 BASIS OF PREPARATION

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

BASIS OF CONSOLIDATION

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.1 BASIS OF PREPARATION (continued)

BASIS OF CONSOLIDATION (continued)

Total comprehensive income within a subsidiary is attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

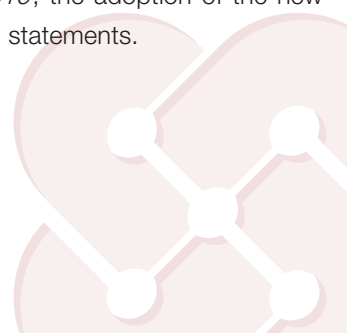
If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC) – Int 14 Amendments	Amendments to HK(IFRIC) – Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC) – Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

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

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

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 43 to the financial statements.

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

- (i) **HKFRS 3 *Business Combinations***: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) (continued)

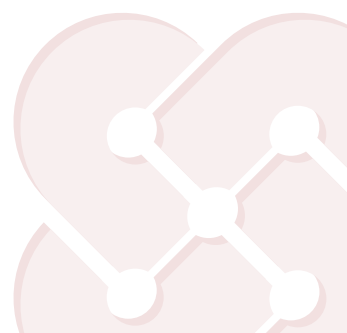
- (ii) HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.
- (iii) HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

Certain comparative amounts have been reclassified to conform with the current year's presentation. In particular, certain expenses, which were previously included in "Other operating expenses", have been reclassified and included in "Administrative expenses" in the consolidated income statement.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ⁴
HKFRS 9	<i>Financial Instruments</i> ⁶
HKFRS 10	<i>Consolidated Financial Statements</i> ⁴



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 11	<i>Joint Arrangements</i> ⁴
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴
HKFRS 13	<i>Fair Value Measurement</i> ⁴
HKAS 1 Amendments	<i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> ³
HKAS 12 Amendments	<i>Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> ²
HKAS 19 (2011)	<i>Employee Benefits</i> ⁴
HKAS 27 (2011)	<i>Separate Financial Statements</i> ⁴
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ⁴
HKAS 32 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ⁵
HK(IFRIC) – Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2014

⁶ Effective for annual periods beginning on or after 1 January 2015

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

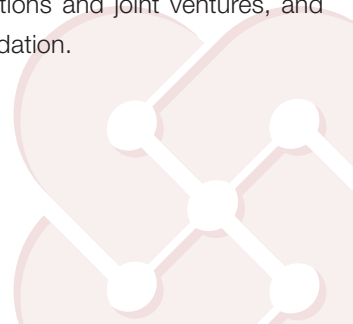
In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the “Additions”) and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made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

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

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

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

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

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

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

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

The directors of the Company are in the process of making an assessment of the impact upon initial adoption of the HKFRS 10, HKFRS 11, HKFRS 12 and HKFRS 13. They anticipate that the application of the other new and revised standards, or amendments will have no significant effect on how the results and financial position of the Group are prepared and presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

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

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

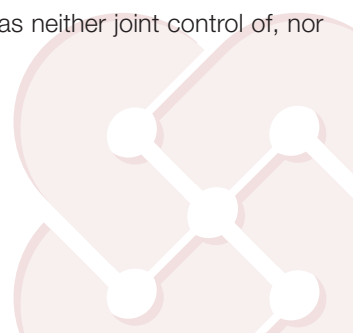
JOINT VENTURES

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

JOINTLY-CONTROLLED ENTITIES

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's interests in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's interests in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

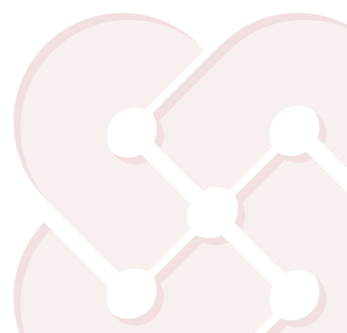
An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset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

RELATED PARTIES

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

- (a) the party is a person or a close member of that person's family and that person,
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES (continued)

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

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

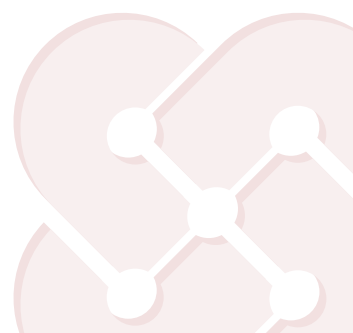
Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	20 to 30 years
Leasehold improvements	Over the shorter of the lease terms and 6 years
Plant and machinery	4 to 12 years
Office equipment	5 years
Motor vehicles	3 to 6 years

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

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

Construction in progress represents plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENT PROPERTIES

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

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

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES

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

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

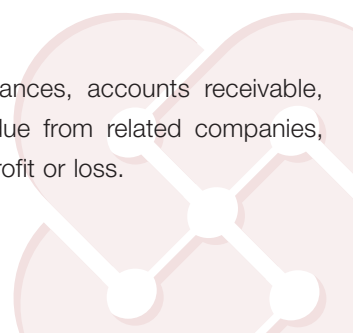
INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

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

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

The Group's financial assets include time deposits, cash and bank balances, accounts receivable, other receivables, amount due from a jointly-controlled entity, amounts due from related companies, amount due from a joint venturer and financial assets at fair value through profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in other income in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

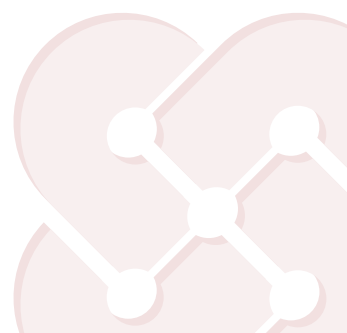
Available-for-sale financial investments

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Available-for-sale financial investments (continued)

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

DERECOGNITION OF FINANCIAL ASSETS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

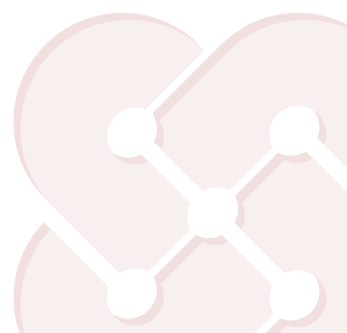
IMPAIRMENT OF FINANCIAL ASSETS

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

Financial assets carried at amortised cost

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

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Financial assets carried at amortised cost (continued)

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

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

Assets carried at cost

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

Available-for-sale financial investments

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Available-for-sale financial investments (continued)

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

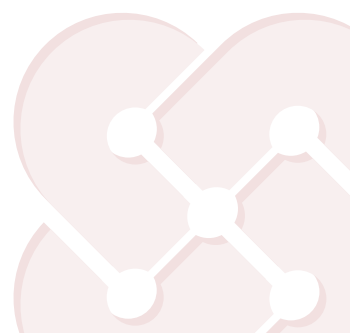
FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

The Group’s financial liabilities include accounts payable, other payables, amounts due to the ultimate holding company, a joint venture and related companies, dividend payable to non-controlling interests and interest-bearing bank and other borrowings.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES (continued)

Subsequent measurement

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

Loan and borrowings

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

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

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTIES HELD FOR SALE

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land and buildings and other indirect costs attributable to such properties. Net realisable value is based on estimated selling prices less any estimated selling expenses.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

CASH AND CASH EQUIVALENTS

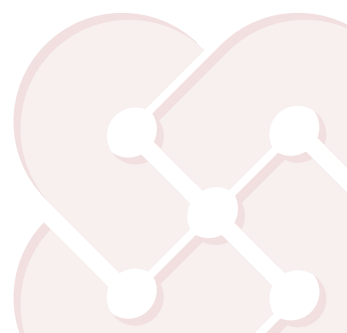
For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short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

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

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

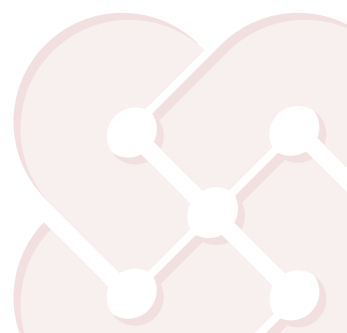
Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences,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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION

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

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of property management and agency services, when such services are rendered;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

SHARE-BASED PAYMENT TRANSACTIONS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details of which are given in note 38 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHARE-BASED PAYMENT TRANSACTIONS (continued)

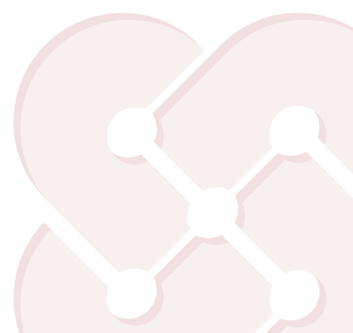
The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OTHER EMPLOYEE BENEFITS

Pension scheme

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

The employees of the Group’s subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

DIVIDENDS

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

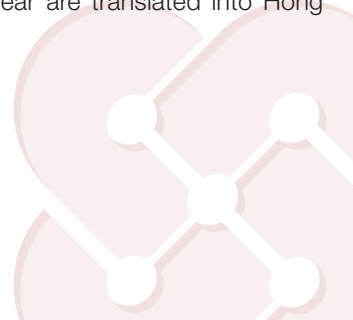
FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and jointly-controlled entity are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
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3. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of the Group's financial instruments as at the end of the reporting period are as follows:

	Financial assets at fair value through profit or loss – held for trading	Loans and receivables	Total
	HK\$'000	HK\$'000	HK\$'000
2011			
Accounts receivable	–	31,054	31,054
Financial assets included in prepayments, deposits and other receivables	–	1,514	1,514
Amount due from a jointly-controlled entity	–	4,502	4,502
Amounts due from related companies	–	11,549	11,549
Equity investments at fair value through profit or loss	15,343	–	15,343
Time deposits	–	116,055	116,055
Cash and bank balances	–	29,278	29,278
	15,343	193,952	209,295
2010			
Accounts receivable	–	5,930	5,930
Financial assets included in prepayments, deposits and other receivables	–	4,723	4,723
Amount due from a jointly-controlled entity	–	6,726	6,726
Amount due from a joint venturer	–	2,445	2,445
Amounts due from related companies	–	9,238	9,238
Equity investments at fair value through profit or loss	20,698	–	20,698
Time deposits	–	76,157	76,157
Cash and bank balances	–	48,669	48,669
	20,698	153,888	174,586

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

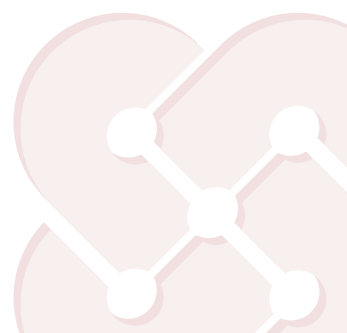
3. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	Financial liabilities at amortised cost 2011 HK\$'000	Financial liabilities at amortised cost 2010 HK\$'000
Accounts payable	7,441	9,314
Financial liabilities included in other payables and accruals	64,787	63,735
Amount due to the ultimate holding company	27	31
Amounts due to related companies	3,777	2,997
Amount due to a joint venturer	19	–
Dividend payable to non-controlling interests	25,143	–
Interest-bearing bank and other borrowings	6,173	93,091
	107,367	169,168

4. FAIR VALUE HIERARCHY

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

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

4. FAIR VALUE HIERARCHY (continued)

As at 31 December 2010 and 2011, the Group held the following financial instruments measured at fair value:

Assets measured at fair value

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 31 December 2011:				
Equity investments at fair value through profit or loss	15,343	–	–	15,343

As at 31 December 2010:

Equity investments at fair value through profit or loss	20,698	–	–	20,698
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During the years ended 31 December 2011 and 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

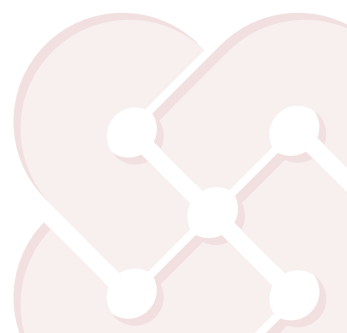
INTEREST RATE RISK

At 31 December 2011, the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates. At 31 December 2010, the Group's cash flow interest rate risk related primarily to bank borrowings with a floating interest rate, further details of these borrowings are set out in note 35 to the financial statements. The Group currently does not hedge its exposure to interest rate risks. However, the management monitors the interest rate risk exposure closely and will consider hedging significant interest rate risk exposure should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profits after tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
<hr/>			
2010			
Renminbi	100	(6,284)	–
Renminbi	(100)	6,284	–
<hr/>			

* Excluding retained profits



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

FOREIGN CURRENCY RISK

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency. The Group's major operations and businesses are located in the PRC and substantially all transactions are conducted in Renminbi ("RMB"). All the assets and liabilities of these businesses are denominated in RMB.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit after tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in RMB %	Increase/ (decrease) in profit after tax HK\$'000	Increase/ (decrease) in equity HK\$'000
2011			
If Hong Kong dollar weakens against RMB	(5)	10,666	22,197
If Hong Kong dollar strengthens against RMB	5	(10,666)	(22,197)
2010			
If Hong Kong dollar weakens against RMB	(5)	6,803	14,222
If Hong Kong dollar strengthens against RMB	5	(6,453)	(13,528)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

CREDIT RISK

The Group reviews the recoverability of its financial assets periodically to ensure that potential credit risk of the counterparty is managed at an early stage and sufficient provision is made for possible defaults. In addition, the Group reviews regularly the recoverable amount of each individual accounts receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amount due from a jointly-controlled entity, other receivables and amounts due from related companies, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

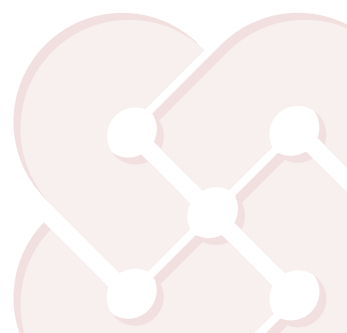
Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. At the end of the reporting period, the Group has certain concentrations of credit risk as 17% (2010: 32%) and 71% (2010: 62%) of the Group's accounts receivable were due from the Group's largest customer and the five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 26 to the financial statements.

LIQUIDITY RISK

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short, medium and longer term. Banking facilities have been put in place for contingency purposes. Certain individual operating entities within the Group are responsible for their own cash management.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

LIQUIDITY RISK (continued)

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

	On demand or less than 3 months	3 to less than 12 months	1 to 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2011				
Accounts payable	7,441	–	–	7,441
Other payables and accruals	64,787	–	–	64,787
Amount due to the ultimate holding company	27	–	–	27
Amounts due to related companies	3,777	–	–	3,777
Amount due to a joint venturer	19	–	–	19
Dividend payable to non-controlling interests	25,143	–	–	25,143
Interest-bearing bank and other borrowings	6,173	–	–	6,173
	107,367	–	–	107,367
2010				
Accounts payable	9,314	–	–	9,314
Other payables and accruals	63,735	–	–	63,735
Amount due to the ultimate holding company	31	–	–	31
Amounts due to related companies	2,997	–	–	2,997
Interest-bearing bank and other borrowings	14,624	25,564	62,652	102,840
	90,701	25,564	62,652	178,917

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

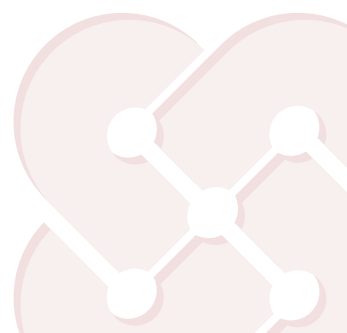
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EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments as at 31 December 2011 and 2010. The Group's listed investments listed on the Stock Exchange and the TSX Venture Exchange of Canada and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the Stock Exchange and the TSX Venture Exchange of Canada, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2011	High/low 2011	31 December 2010	High/low 2010
Stock Exchange				
– Hang Seng Index	18,434	24,469/ 16,170	23,035	24,989/ 18,972
TSX Venture Exchange of Canada				
– S&P/TSX Venture Composite Index	1,485	2,465/ 1,306	2,288	2,288/ 1,348



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
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5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

EQUITY PRICE RISK (continued)

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments HK\$'000	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2011			
Investments listed in:			
Hong Kong – Held-for-trading	3,745	375/ (375)	–
Elsewhere – Held-for-trading	11,598	1,160/ (1,160)	–
2010			
Investments listed in:			
Hong Kong – Held-for-trading	7,299	730/ (730)	–
Elsewhere – Held-for-trading	13,399	1,340/ (1,340)	–

* Excluding retained profits

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
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5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(continued)

CAPITAL MANAGEMENT

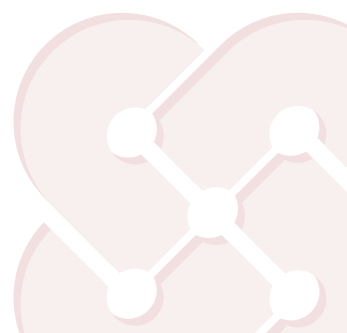
The primary objectives of the Group's capital management are to enhance the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2011 and 2010.

The Group monitors capital using the debt-to-total equity ratio, which is net debt divided by total equity. Net debt is calculated as total borrowings (including amount due to the ultimate holding company, amounts due to related companies, amount due to a joint venturer, dividend payable to non-controlling interests and interest-bearing bank and other borrowings) less cash and bank balances.

The debts-to-total equity ratios at 31 December 2011 and 2010 were as follows:

	2011	2010
	HK\$'000	HK\$'000
Total borrowings	35,139	96,119
Less: Cash and bank balances	(29,278)	(48,669)
Net debt	5,861	47,450
Total equity	625,699	488,876
Debt-to-total equity ratio	1%	10%



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
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6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

The Group's management determines the estimated useful lives and consequently related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the deprecation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amount of property, plant and equipment at 31 December 2011 was approximately HK\$250,328,000 (2010: HK\$236,494,000). Further details are included in note 17 to the financial statements.

ESTIMATED IMPAIRMENT OF RECEIVABLES

The Group records impairment of receivables based on an assessment of the recoverability of accounts receivable and other receivables. Provisions are applied to accounts receivable and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of accounts receivable and other receivables and impairment charges in the period in which such estimate has been changed. The amount of accounts receivable at 31 December 2011 was approximately HK\$31,054,000 (2010: HK\$5,930,000). Further details are included in note 26 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
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6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(continued)

ESTIMATION OF FAIR VALUE OF INVESTMENT PROPERTIES

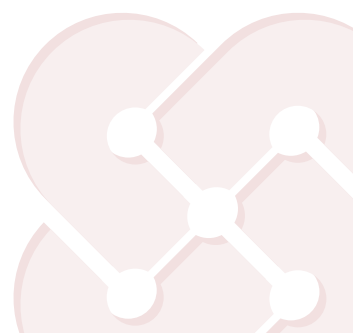
Investment properties of the Group are stated at fair value in accordance with the accounting policy stated in note 2.4 to the financial statements. The fair value of investment properties at 31 December 2011 was approximately HK\$40,332,000 (2010: HK\$30,645,000). The fair value of investment properties, set out in note 18 to the financial statements are determined by an independent professional qualified valuer. Such valuations are made based on certain assumptions, which are subject to uncertainties and might materially differ from the actual results. In making the judgement, reasonable consideration has been given to the underlying assumptions that are mainly based on market condition existing at the end of the reporting period. These estimates are regularly compared to actual market data and actual transactions in the market.

IMPAIRMENT OF INTANGIBLE ASSET ACQUIRED IN BUSINESS COMBINATIONS

At the end of the reporting period, management reconsidered the recoverability of the intangible asset arising from the acquisition of a subsidiary, in which the carrying amount at 31 December 2011 is approximately HK\$147,879,000 (2010: HK\$151,220,000). The business of the related subsidiary continues to progress in a satisfactory manner. Sensitivity analysis has been carried out by management and no impairment is considered necessary at 31 December 2011. Adjustment will be made in future periods if future market activities indicate that adjustments for impairment are appropriate. Further details are included in note 20 to the financial statements.

INCOME TAXES

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

7. SEGMENT INFORMATION

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

- (a) the property investment segment engages in property leasing and sale of properties;
- (b) the property management and agency services segment provides property management and agency services;
- (c) the manufacture and sale of construction materials segment engages in the manufacture and sale of slag powder;
- (d) the trading of coal segment engages in the trading of coal; and
- (e) the others segment comprises, principally, the Group's leasing of machinery business and consultancy services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except interest income, unallocated finance costs, dividend income, fair value gains/(losses) from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, equity investments at fair value through profit or loss, amounts due from related companies and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, amount due to the ultimate holding company, amounts due to related companies and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

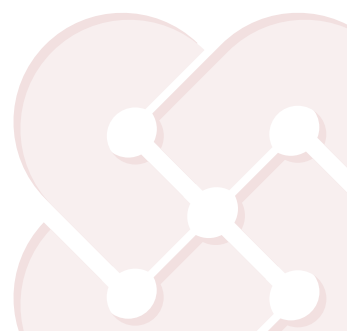
7. SEGMENT INFORMATION (continued)

SEGMENTS RESULTS

An analysis of the Group's segment results by reportable segment is as follows:

	Property investment		Property management and agency services		Trading of coal		Manufacture and sale of construction materials		Others		Total	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Segment revenue:												
Sales to/revenue from external customers*	28,403	2,240	16,378	15,915	-	24,385	221,721	169,873	633	657	267,135	213,070
Segment results	11,056	4,035	2,148	2,678	-	569	88,618	39,267	(2,117)	(733)	99,705	45,816
Bank interest income and other unallocated income											3,675	2,579
Fair value (losses)/gains, net:												
Equity investments at fair value through profit or loss – held for trading											(5,355)	3,371
Corporate and other unallocated expenses											(33,300)	(13,827)
Unallocated finance costs											(8,401)	(545)
Gain on disposal of subsidiaries											-	165
Share of profit of a jointly-controlled entity											137,829	96,980
Profit before tax											194,153	134,539
Income tax expense											(30,826)	(15,013)
Profit for the year											163,327	119,526

* Since the amount of intersegment sales is insignificant, no reconciliation has been made.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

7. SEGMENT INFORMATION (continued)**SEGMENT ASSETS AND LIABILITIES**

An analysis of the Group's segment assets and liabilities by reportable segment is as follows:

	Property investment		Property management and agency services		Trading of coal		Manufacture and sale of construction materials		Others		Total	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Assets and liabilities:												
Segment assets	50,241	65,273	16,864	25,135	-	3,295	478,331	465,851	43,823	20,345	589,259	579,899
Corporate and other unallocated assets											92,509	69,161
Investment in a jointly-controlled entity											148,996	83,554
Total assets											830,764	732,614
Segment liabilities	20,813	23,776	23,641	19,643	445	563	127,673	182,494	137	290	172,709	226,766
Corporate and other unallocated liabilities											32,356	16,972
Total liabilities											205,065	243,738
Other segment information:												
Depreciation and amortisation	361	229	317	353	-	-	32,551	29,671	1,575	660	34,804	30,913
Corporate and other unallocated amounts											42	31
											34,846	30,944
Finance costs	-	-	-	-	-	-	7,830	7,398	-	-	7,830	7,398
Corporate and other unallocated amounts											571	545
											8,401	7,943
Fair value gains on investment properties	(8,797)	(5,382)	-	-	-	-	-	-	-	-	(8,797)	(5,382)
Impairment losses reversed in the income statement	-	-	(24)	-	-	-	-	-	-	-	(24)	-
Corporate and other unallocated amounts											-	(1,847)
											(24)	(1,847)
Additions to non-current assets*	16	11,906	4	59	-	-	-	29,036	23,084	19,498	23,104	60,499
Corporate and other unallocated amounts											69	18
											23,173	60,517

* Additions to non-current assets consist of additions to property, plant and equipment and investment properties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

7. SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

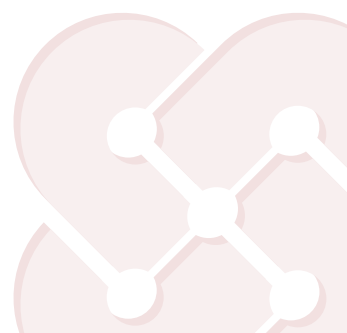
	2011 HK\$'000	2010 HK\$'000
PRC	266,502	188,028
Hong Kong	–	24,385
Peru	633	657
	267,135	213,070

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2011 HK\$'000	2010 HK\$'000
PRC	571,179	506,956
Hong Kong	123	96
Peru	41,044	18,838
	612,346	525,890

The non-current assets information above is based on the location of assets.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

7. SEGMENT INFORMATION (continued)**INFORMATION ABOUT MAJOR CUSTOMERS**

Revenue from customers of corresponding periods contributing over 10% of total revenue of the Group is as follows:

	2011	2010
	HK\$'000	HK\$'000
Customer A (Revenue attributable to manufacture and sale of construction material segment)	29,970	N/A*
Customer B (Revenue attributable to manufacture and sale of construction material segment)	27,880	N/A*
Customer C (Revenue attributable to property investment segment)	27,361	N/A*
Customer D (Revenue attributable to trading of coal segment)	N/A*	24,385
	85,211	24,385

* The corresponding revenue did not contribute over 10% of total revenue of the Group for the year.

NOTES TO THE FINANCIAL STATEMENTS

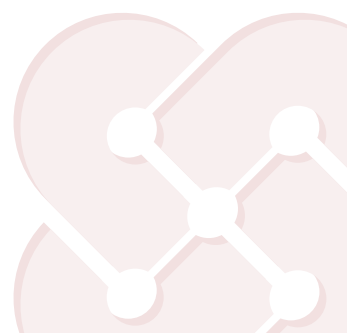
For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

8. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, property management and agency fees, and gross rental income received and receivable from investment properties during the year.

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

	2011 HK\$'000	2010 HK\$'000
Revenue		
Sale of construction materials	221,721	169,873
Sale of properties	27,361	–
Property management and agency fees	16,378	15,915
Gross rental income	1,675	2,897
Sale of coal	–	24,385
	267,135	213,070
Other income		
Bank interest income	1,219	465
Interest income on other loans	2,348	879
Reversal of impairment of accounts receivable	24	112
Reversal of impairment of amount due from a joint venturer	–	1,735
Others	1,217	559
	4,808	3,750



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

9. OPERATING PROFIT

The Group's operating profit is arrived at after charging:

		Group	
	Note	2011 HK\$'000	2010 HK\$'000
Employee benefits expense (excluding directors' remuneration)			
Salaries, wages and other benefits	(i)	21,803	17,975
Pension scheme contributions	(ii)	2,492	2,414
		24,295	20,389
Cost of inventories sold		112,089	125,336
Cost of properties held for sale		24,551	–
Amortisation of other intangible asset		12,345	11,779
Amortisation of prepaid land lease payments		537	383
Depreciation of property, plant and equipment	(iii)	21,964	18,782
Auditors' remuneration		575	550
Foreign exchange differences, net		1,385	176
Loss on disposal of property, plant and equipment		–	701
Compensation paid	(iv)	14,020	–
Minimum lease payments under operating leases in respect of land and buildings		792	792

Notes:

- (i) Salaries, wages and other benefits of approximately HK\$6,705,000 (2010: HK\$5,108,000), HK\$14,033,000 (2010: HK\$12,097,000) and HK\$1,065,000 (2010: HK\$770,000) were charged to cost of production, administrative expenses and selling and distribution expenses respectively.
- (ii) At 31 December 2011, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2010: Nil).
- (iii) Depreciation of approximately HK\$19,041,000 (2010: HK\$16,014,000) and HK\$2,923,000 (2010: HK\$2,768,000) were charged to cost of production and administrative expenses respectively.
- (iv) Further details of the compensation paid are set out in note 42 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

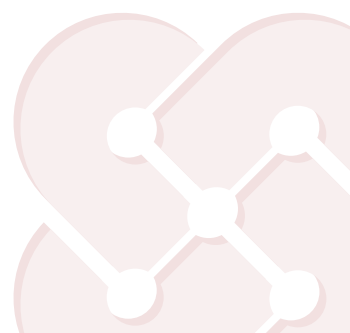
10. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Interest on bank loan and other loans wholly repayable within five years	6,512	8,317
Less: interest capitalised	–	(1,487)
	6,512	6,830
Other finance costs		
Financial guarantee expenses (Note)	1,889	1,113
	8,401	7,943

Note:

Financial guarantee expenses of approximately HK\$1,889,000 (2010: HK\$1,113,000) and Nil (2010: HK\$1,173,000) were included in finance costs and construction in progress respectively.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

11. DIRECTORS' REMUNERATION

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

	Group	
	2011	2010
	HK\$'000	HK\$'000
Fees	571	551
Other emoluments:		
Salaries, allowances and benefits in kind	1,374	1,320
Pension scheme contributions	27	27
	1,401	1,347
	1,972	1,898

(a) INDEPENDENT NON-EXECUTIVE DIRECTORS**Group**

	2011	2010
	HK\$'000	HK\$'000
Fees		
Mr. Leung Man Kit	180	180
Mr. Chan Kwok Wai	180	180
Mr. Lam Man Sum, Albert	180	180
	540	540

Apart from the above, there were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

11. DIRECTORS' REMUNERATION (continued)

(b) EXECUTIVE DIRECTORS AND A NON-EXECUTIVE DIRECTOR

Group

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2011				
Executive directors:				
Mr. Zhou Chu Jian He	–	180	9	189
Mr. Ng Man Chung, Siman	–	180	9	189
Mr. Liu Zhongsheng	24	774	–	798
Mr. Zhang Xiaobing	–	180	9	189
Mr. Xiang Xianhong (appointed on 1 November 2011)	–	30	–	30
Mr. Lei Shuguang (appointed on 1 November 2011)	–	30	–	30
	24	1,374	27	1,425
Non-executive director:				
Mr. Jorge Edgar Jose Muñoz Ziches (appointed on 16 December 2011)	7	–	–	7
	31	1,374	27	1,432
2010				
Executive directors:				
Mr. Zhou Chu Jian He	–	180	9	189
Mr. Ng Man Chung, Siman	–	180	9	189
Mr. Liu Zhongsheng	11	780	–	791
Mr. Zhang Xiaobing	–	180	9	189
	11	1,320	27	1,358

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2010: one) director, details of whose remuneration are set out in note 11 above. Details of the remuneration of the remaining four (2010: four) non-directors, highest paid employees for the year are as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	3,590	3,263
Pension scheme contributions	36	36
	3,626	3,299

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

	Group	
	Number of employees	
	2011	2010
Nil – HK\$1,000,000	3	2
HK\$1,000,000 – HK\$1,500,000	1	2
	4	4

13. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	Group	
	2011	2010
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	112	112
(Over)/under-provision in prior year	(6)	13
Current – elsewhere	12,314	6,369
Deferred tax charge (note 36)	11,154	1,067
Withholding tax on dividend distributed by a jointly-controlled entity in the PRC (note 36)	7,252	7,452
Total tax charge for the year	30,826	15,013

NOTES TO THE FINANCIAL STATEMENTS

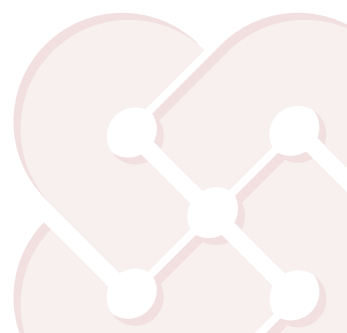
For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

13. INCOME TAX (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate of 16.5% (2010: 16.5%) as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Profit before tax	194,153	134,539
Tax at the statutory tax rate of 16.5% (2010: 16.5%)	32,035	22,199
Income not subject to tax	(4,690)	(2,129)
Expenses not deductible for tax	10,479	2,776
Under-provision in prior year	26	39
Tax loss not recognised	284	–
Profits attributable to a jointly-controlled entity	(22,742)	(16,002)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,049)	(1,562)
Effect of withholding tax at 10% (2010: 10%) on the distributable profit of the Group's jointly-controlled entity	13,783	9,692
Effect of withholding tax at 10% on the dividend declared by the Group's subsidiary in the PRC	3,700	–
Tax charge for the Group's effective rate	30,826	15,013

Hunan Taiji Construction Material Company Limited ("Hunan Taiji"), a subsidiary of the Group, is subject to the PRC Enterprise Income Tax ("EIT") at a rate of 25% on taxable income as reported in the statutory PRC financial statements for the year. Hunan Taiji is entitled to exemption from EIT for the first two profitable years commencing from the year ended 31 December 2007 and a 50% reduction from normal EIT for the three years following.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

14. DIVIDENDS

	2011	2010
	HK\$'000	HK\$'000
Interim dividend paid – HK1 cent (2010: HK1 cent) per share	10,162	9,998
Final dividend proposed – HK1.5 cents (2010: HK1.5 cents) per share	15,243	15,037
	25,405	25,035

The directors recommended the payment of a final dividend in respect of the year ended 31 December 2011 of HK1.5 cents per share, totalling approximately HK\$15,243,000. The proposed final dividend for the year is subject to the approval at the forthcoming annual general meeting of the Company.

During the year, the final dividend in respect of the financial year ended 31 December 2010 of HK1.5 cents per share, totalling approximately HK\$15,153,000, and the interim dividend for the six months ended 30 June 2011 of HK1 cent per share, totalling approximately HK\$10,162,000, were paid to shareholders.

15. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a profit of approximately HK\$42,141,000 (2010: HK\$41,473,000) which has been dealt with in the financial statements of the Company (note 39(b)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

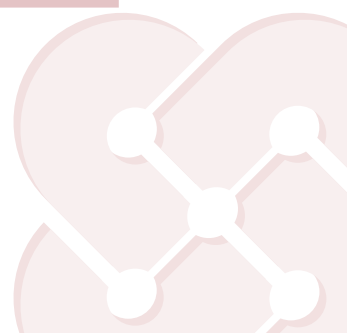
The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 1,009,775,090 (2010: 999,743,857) in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to owners of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2011	2010
	HK\$'000	HK\$'000
Earnings		
Profit attributable to owners of the Company, used in the basic and diluted earnings per share calculation	140,144	104,903

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,009,775,090	999,743,857
Effect of dilution – weighted average number of ordinary shares:		
Share options	32,614,732	27,436,756
	1,042,389,822	1,027,180,613



NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2011
(Expressed in Hong Kong dollars)**17. PROPERTY, PLANT AND EQUIPMENT****Group**

	Freehold land*	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 December 2011							
At 31 December 2010 and 1 January 2011							
Cost	4,249	103,742	1,925	154,272	2,844	2,982	270,014
Accumulated depreciation	-	(6,721)	(547)	(24,029)	(1,343)	(880)	(33,520)
Net carrying amount	4,249	97,021	1,378	130,243	1,501	2,102	236,494
At 1 January 2011, net of accumulated depreciation	4,249	97,021	1,378	130,243	1,501	2,102	236,494
Additions	2,109	18,244	917	-	439	1,464	23,173
Disposals	-	-	-	(905)	(4)	-	(909)
Depreciation provided for the year	-	(4,124)	(83)	(16,753)	(411)	(593)	(21,964)
Written back on disposal	-	-	-	-	3	-	3
Exchange realignment	157	5,617	50	7,531	58	118	13,531
At 31 December 2011, net of accumulated depreciation	6,515	116,758	2,262	120,116	1,586	3,091	250,328
At 31 December 2011							
Cost	6,515	128,105	2,925	162,811	3,414	4,637	308,407
Accumulated depreciation	-	(11,347)	(663)	(42,695)	(1,828)	(1,546)	(58,079)
Net carrying amount	6,515	116,758	2,262	120,116	1,586	3,091	250,328

NOTES TO THE FINANCIAL STATEMENTS

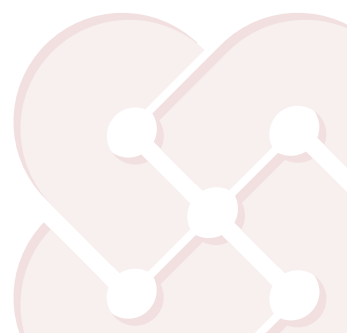
For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Freehold land*	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 December 2010								
At 31 December 2009 and 1 January 2010								
Cost	-	63,463	534	79,218	1,417	1,217	71,303	217,152
Accumulated depreciation	-	(3,505)	(490)	(9,385)	(1,005)	(517)	-	(14,902)
Net carrying amount	-	59,958	44	69,833	412	700	71,303	202,250
At 1 January 2010, net of accumulated depreciation								
	-	59,958	44	69,833	412	700	71,303	202,250
Additions	4,249	10,479	1,378	2,181	1,407	1,713	29,036	50,443
Disposals	-	(2,098)	-	(293)	(1)	-	-	(2,392)
Transfer from investment properties	-	427	-	-	-	-	-	427
Transfer from construction in progress	-	30,059	-	70,858	-	-	(100,917)	-
Depreciation provided for the year	-	(3,447)	(45)	(14,621)	(324)	(345)	-	(18,782)
Exchange realignment	-	1,643	1	2,285	7	34	578	4,548
At 31 December 2010, net of accumulated depreciation	4,249	97,021	1,378	130,243	1,501	2,102	-	236,494
At 31 December 2010								
Cost	4,249	103,742	1,925	154,272	2,844	2,982	-	270,014
Accumulated depreciation	-	(6,721)	(547)	(24,029)	(1,343)	(880)	-	(33,520)
Net carrying amount	4,249	97,021	1,378	130,243	1,501	2,102	-	236,494

* The freehold land is located outside Hong Kong.



NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2011
(Expressed in Hong Kong dollars)**17. PROPERTY, PLANT AND EQUIPMENT** (continued)**Company**

	Office equipment HK\$'000
31 December 2011	
At 31 December 2010 and 1 January 2011	
Cost	212
Accumulated depreciation	(116)
Net carrying amount	96
At 1 January 2011, net of accumulated depreciation	96
Additions	69
Depreciation provided for the year	(41)
At 31 December 2011, net of accumulated depreciation	124
At 31 December 2011	
Cost	281
Accumulated depreciation	(157)
Net carrying amount	124
31 December 2010	
At 31 December 2009 and 1 January 2010	
Cost	193
Accumulated depreciation	(86)
Net carrying amount	107
At 1 January 2010, net of accumulated depreciation	107
Additions	19
Depreciation provided for the year	(30)
At 31 December 2010, net of accumulated depreciation	96
At 31 December 2010	
Cost	212
Accumulated depreciation	(116)
Net carrying amount	96

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

18. INVESTMENT PROPERTIES

	Group	
	2011 HK\$'000	2010 HK\$'000
Carrying amount at 1 January	30,645	16,988
Additions	–	10,074
Net gain from a fair value adjustment	8,797	5,382
Transfer to property, plant and equipment	–	(427)
Transfer to prepaid land lease payments	–	(1,565)
Exchange realignment	890	193
Carrying amount at 31 December	40,332	30,645

The investment properties are held under a medium term lease and are situated in the PRC.

The Group's investment properties were revalued on 31 December 2011 by RHL Appraisal Limited, independent professional qualified valuer, at approximately HK\$40,332,000 (equivalent to RMB33,100,000), on an open market value basis by direct comparison method. Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 41 to the financial statements.

Further particulars of the Group's investment properties are included on page 125 of this annual report.

19. PREPAID LAND LEASE PAYMENTS

	Group	
	2011 HK\$'000	2010 HK\$'000
Carrying amount at 1 January	23,977	553
Additions	–	12,202
Transfer from deposit for acquisition of land use rights	–	9,625
Transfer from investment properties	–	1,565
Recognised during the year (note 9)	(537)	(383)
Exchange realignment	1,371	415
Carrying amount at 31 December	24,811	23,977

The leasehold land is held under medium term leases and is situated in the PRC.

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2011
(Expressed in Hong Kong dollars)**20. OTHER INTANGIBLE ASSET****Group**

	Supplier contracts HK\$'000
<hr/>	
31 December 2011	
Cost at 1 January 2011, net of accumulated amortisation	151,220
Amortisation provided during the year	(12,345)
Exchange realignment	9,004
<hr/>	
At 31 December 2011	147,879
<hr/>	
At 31 December 2011	
Cost	180,624
Accumulated amortisation	(32,745)
<hr/>	
Net carrying amount	147,879
<hr/>	
31 December 2010	
Cost at 1 January 2010, net of accumulated amortisation	159,677
Amortisation provided during the year	(11,779)
Exchange realignment	3,322
<hr/>	
At 31 December 2010	151,220
<hr/>	
At 31 December 2010	
Cost	170,122
Accumulated amortisation	(18,902)
<hr/>	
Net carrying amount	151,220
<hr/>	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

20. OTHER INTANGIBLE ASSET (continued)

The amount of supplier contract represents the fair value of the materials supply agreement embedded in the joint venture agreement dated 30 June 2006 (“Joint Venture Agreement”) regarding the establishment of Hunan Taiji entered into between the joint venturers, namely Junefield (Building Material) Limited and 漣源鋼鐵集團有限公司 (Lianyuan Steel Group Limited) (“Lianyuan Steel”), upon the acquisition of Junefield (Building Material) Limited and its subsidiary, Hunan Taiji, by the Group on 22 May 2009. 華菱漣源鋼鐵有限公司 (Hualing Steel Company Limited) (“Hualing Steel”), a company established in the PRC, is a steel products manufacturer and is effectively owned as to more than 30% by the holding company of Lianyuan Steel. Pursuant to the Joint Venture Agreement, Lianyuan Steel is responsible to guarantee the supply of raw materials required by Hunan Taiji and to procure Hualing Steel to supply granulated steel slag to Hunan Taiji at prescribed unit price for a period of 15 years from the date of commencement of operation of Hunan Taiji.

The above intangible asset has definite useful life and is amortised on a straight-line basis over the estimated useful life of 14 years.

21. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 HK\$'000	2010 HK\$'000
Unlisted shares, at cost	182,079	182,079
Capital contribution in respect of employee share-based compensation	2,016	2,016
	184,095	184,095
Impairment for unlisted shares	(182,079)	(182,079)
	2,016	2,016

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

21. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

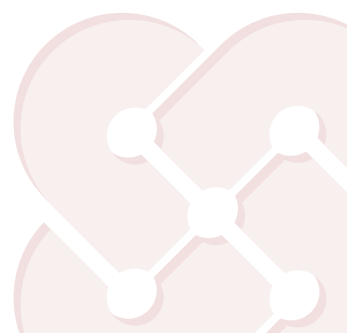
Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Huaxia Group Limited	British Virgin Islands	US\$50,000	100	Investment holding
Indirectly held				
Huaxia Development Worldwide Limited	Hong Kong	HK\$100	100	Investment holding
Hudson Development (H.K.) Limited ("HDHK")	Hong Kong	HK\$10 ordinary shares and HK\$1,000,000 non-voting deferred shares (Note (ii))	100	Investment holding
Hudson International Hong Kong Limited	Hong Kong	HK\$2	100	Investment holding
Huaxia Investment Worldwide Limited	Hong Kong	HK\$100	100	Investment holding
International Management Company Limited ("IMC")	Hong Kong	HK\$1,500,000	100	Investment holding
Ever Park Development Limited	Hong Kong	HK\$2	100	Property investment
Wuhan Huaxin Management Limited ("WHM") (Note (i))	PRC	RMB3,000,000	51	Property management

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

21. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held (continued)				
Grade Honor Investments Limited	British Virgin Islands	US\$1	100	Investment holding
Junefield (Building Material) Limited	Hong Kong	HK\$2	100	Investment holding
Hunan Taiji (Note (i))	PRC	US\$11,000,000	60	Manufacture and sale of construction materials
Golden Talent Development Limited	Hong Kong	HK\$1	100	Property investment
莊勝(北京)房地產經紀有限公司 (Junefield (Beijing) Property Agency Co., Ltd.) ("Junefield Agency") (Note (iii))	PRC	US\$100,000	100	Property agency
Lima Junefield Plaza S.A.C.	Peru	Soles7,848,316	100	Leasing of machinery
Top Honor Investment Development Limited	Hong Kong	HK\$1	100	Trading of coal
Best Yield Corporation Limited	Hong Kong	HK\$1	100	Investment holding



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
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21. INVESTMENTS IN SUBSIDIARIES (continued)

Notes:

- (i) The subsidiaries are registered as contractual joint ventures under the PRC law.
- (ii) The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of HDHK by virtue of or in respect of their holdings of such non-voting deferred shares, except at a general meeting convened for any resolution varying or abrogating any of the rights or privileges of the said non-voting deferred shares, or when the resolution to be submitted at a general meeting directly affects the rights and privileges of such holders, or is for the purpose of reducing share capital. The holders of the non-voting deferred shares are not entitled to any dividends of HDHK unless the profit available for distribution for the financial year exceeds HK\$100,000,000,000,000 and are not entitled to any participation in the profits or assets of HDHK. On a winding-up, the holders of the non-voting deferred shares are entitled, out of the surplus assets of HDHK, to a return of the capital paid-up on the non-voting deferred shares held by them after a total sum of HK\$500,000,000,000,000 has been distributed in such winding-up in respect of the ordinary shares of HDHK.
- (iii) The subsidiary is registered as a wholly-foreign-owned enterprise under the PRC Laws.

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

22. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2011 HK\$'000	2010 HK\$'000
Share of net assets	148,996	83,554

Particulars of the Group's jointly-controlled entity at 31 December 2011 are as follows:

Name	Particulars of registered capital	Place of registration and operations	Percentage of ownership interest and profit sharing attributable to the Group	Principal activities
Wuhan Plaza Management Co., Ltd. ("WPM")	US\$10,290,000	PRC	49	Operation and management of a department store

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
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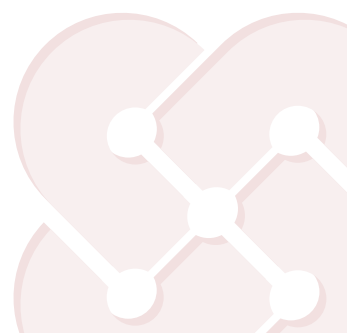
22. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY (continued)

WPM is an equity joint venture company established by IMC, an indirectly held subsidiary of the Company, and Wuhan Department Store Group Co., Ltd. (the “PRC Partner”) for a period of 20 years commencing from 29 December 1993. The registered capital of WPM amounted to US\$21,000,000.

The amount due from a jointly-controlled entity at 31 December 2011 of approximately HK\$4,502,000 (2010: HK\$6,726,000) is unsecured, interest-free and has no fixed terms of repayment.

The following table illustrates the summarised financial information of the Group’s jointly-controlled entity:

	Group	
	2011	2010
	HK\$’000	HK\$’000
<hr/>		
Share of the jointly-controlled entity’s assets and liabilities:		
Current assets	514,335	384,357
Non-current assets	13,831	11,502
Current liabilities	(379,170)	(312,305)
	148,996	83,554
<hr/>		
Share of the jointly-controlled entity’s results:		
Income	1,524,537	1,169,980
Expenses	(1,386,708)	(1,073,000)
	137,829	96,980
<hr/>		



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

23. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2011 HK\$'000	2010 HK\$'000
Unlisted equity investment, at cost	31,642	31,642
Impairment	(31,642)	(31,642)
	-	-

The above investment in equity securities, which is designated as an available-for-sale financial asset, has no fixed maturity date or coupon rate.

The PRC business licence of Wuhan Huaxin Real Estate Co., Ltd. has expired on 4 September 2007.

The unlisted equity investment was stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably.

24. INVENTORIES

	Group	
	2011 HK\$'000	2010 HK\$'000
Raw materials and consumables	3,943	3,043
Finished goods	259	1,037
	4,202	4,080

25. PROPERTIES HELD FOR SALE

The Group's properties held for sale at 31 December 2010 were held under medium term leases in the PRC. During the year ended 31 December 2011, such properties were fully sold.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
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26. ACCOUNTS RECEIVABLE

	Group	
	2011	2010
	HK\$'000	HK\$'000
Accounts receivable	31,301	6,186
Impairment	(247)	(256)
	31,054	5,930

Included in the Group's accounts receivable at 31 December 2011 was an amount due from a related company, Junefield Group S.A.C. of approximately HK\$174,000, which was non-interest-bearing and denominated in USD. The Group does not grant credit period to this related company. Details of these related party transactions are set out in note 43(a) to the financial statements.

Other accounts receivable are due immediately from the date of billing. Payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables and overdue balances which are reviewed regularly by senior management to minimise credit risk. Other accounts receivable are non-interest-bearing and mainly denominated in RMB.

An aged analysis of the Group's accounts receivable as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Within 1 month	8,623	3,011
1 to 3 months	14,854	911
Over 3 months	7,824	2,264
	31,301	6,186
Impairment	(247)	(256)
	31,054	5,930

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

26. ACCOUNTS RECEIVABLE (continued)

The movements in provision for impairment of accounts receivable are as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
At 1 January	256	362
Impairment losses reversed (note 8)	(24)	(112)
Exchange realignment	15	6
	247	256

The above provision for impairment of accounts receivable represents provision for individually impaired accounts receivable of approximately HK\$247,000 (2010: HK\$256,000). The individually impaired accounts receivable mainly relate to customers that were in financial difficulties. It was assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the accounts receivable that are not considered to be impaired is as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Less than 1 month past due	8,623	3,011
1 to 3 months past due	14,853	911
Over 3 months past due	7,578	2,008
	31,054	5,930

Receivables that were past due but not impaired relate to certain independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
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27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

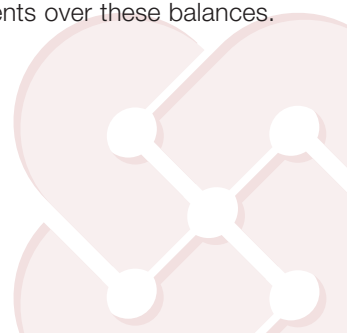
	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Prepayments	4,381	7,218	368	1,108
Deposits	540	1,150	126	631
Other receivables	2,423	928	160	262
Loan receivables	–	3,488	–	–
	7,344	12,784	654	2,001
Impairment	(909)	(901)	(160)	(160)
	6,435	11,883	494	1,841

The loan receivables at 31 December 2010 were denominated in RMB, bore interest at 1% per month, secured by personal guarantee and had been fully repaid in December 2011.

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
At 1 January	901	898
Exchange realignment	8	3
	909	901

An impairment loss is made on deposits and other receivables based on a review of all outstanding amounts on regular basis when collection of the amounts is in doubt. Bad debts are written off when identified. The Group does not hold any collateral or other credit enhancements over these balances.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

28. AMOUNT DUE FROM A JOINT VENTURER

	Group	
	2011 HK\$'000	2010 HK\$'000
Amount due from a joint venturer	–	2,445

The amount was unsecured, interest-free and had no fixed terms of repayment.

29. AMOUNTS DUE FROM RELATED COMPANIES

Name of company	Name of director having interests	Highest balance outstanding during the year HK\$'000	Group	
			2011 HK\$'000	2010 HK\$'000
Power Fortune Mining S.A.C.	Mr. Zhou Chu Jian He	119	119	119
Junefield Property Agency Limited	Mr. Zhou Chu Jian He	751	751	751
Hualing Steel	(Note)	10,679	10,679	8,368
			11,549	9,238

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

Note: Lianyuan Steel, being the holding company of the minority shareholder of Hunan Taiji, has beneficial interests in Hualing Steel.

**30. AMOUNTS DUE TO THE ULTIMATE HOLDING COMPANY/
RELATED COMPANIES/A JOINT VENTURER**

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Hong Kong dollars)

31. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Listed equity investments, market value:				
Hong Kong	3,745	7,299	3,745	7,299
Elsewhere	11,598	13,399	–	–
	15,343	20,698	3,745	7,299

The above equity investments at 31 December 2011 and 2010 were classified as held for trading and recognised as financial assets at fair value through profit or loss.

32. TIME DEPOSITS AND CASH AND BANK BALANCES

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Time deposits	116,055	76,157	72,046	42,004
Cash and bank balances	29,278	48,669	3,385	3,649
	145,333	124,826	75,431	45,653

At the end of the reporting period, the time deposits and cash and bank balances of the Group denominated in RMB amounted to approximately HK\$68,385,000 (2010: HK\$75,643,000). The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

33. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Within 1 month	219	5,835
1 to 3 months	7,222	3,479
	7,441	9,314

The accounts payable are non-interest-bearing and are mainly denominated in RMB.

Included in the Group's accounts payable at 31 December 2011 was an amount due to a related company, 湖南漣鋼物流有限公司 (Lianyuan Logistics Co., Ltd.) ("Lianyuan Logistics"), of approximately HK\$1,685,000 (2010: HK\$1,525,000), which was non-interest-bearing and denominated in RMB. Details of these related party transactions are set out in note 43(a) to the financial statements.

34. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals	18,307	10,786	8,400	5,670
Business tax payable	1,394	2,298	–	–
Deposits received	25,450	8,492	–	–
Other payables	45,086	61,146	1,186	190
	90,237	82,722	9,586	5,860

Other payables are non-interest-bearing.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
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35. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	Note	2011		2010	
		Maturity	HK\$'000	Maturity	HK\$'000
Current					
Bank loan – secured	(i)	N/A	–	2011	29,070
Other loan – unsecured	(ii)	On demand	6,173	On demand	5,882
Amounts repayable within one year or on demand			6,173		34,952
Non-current					
Bank loan – secured	(i)	N/A	–	2012-2013	58,139
			6,173		93,091

Company

	Note	2011		2010	
		Maturity	HK\$'000	Maturity	HK\$'000
Current					
Other loan – unsecured	(ii)	On demand	6,173	On demand	5,882
Amounts repayable within one year or on demand			6,173		5,882

Notes:

- (i) During the year ended 31 December 2009, the Group obtained a bank loan of approximately HK\$113,255,000 through its acquisition of subsidiaries. The loan was denominated in RMB, bore interest at an interest rate equivalent to that of a relevant term loan quoted by the People's Bank of China per annum multiplied by 120%. The bank loan was secured by guarantees executed by 北京莊勝崇光百貨商場 (Beijing Junefield Sogo Department Store) ("Beijing Junefield Sogo"), a company of which Mr. Zhou Chu Jian He, the director of the Company, has control over its operations and financial activities, and Lianyuan Steel. Further details are included in note 43(a)(vi) to the financial statements. In December 2011, the Group early repaid the loan in full and both guarantees executed by Beijing Junefield Sogo and Lianyuan Steel have been released.
- (ii) The unsecured other loan is denominated in RMB, bears interest at a rate of 9.5% per annum and has no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

36. DEFERRED TAX

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

Group

	Intangible asset HK\$'000	Revaluation of properties HK\$'000	Withholding tax HK\$'000	Total HK\$'000
At 1 January 2010	39,919	8,805	2,112	50,836
Release upon payment of withholding tax during the year (note 13)	–	–	(2,112)	(2,112)
Deferred tax (credited)/charged to the income statement during the year (note 13)	(2,945)	1,772	4,352	3,179
Exchange differences	831	17	5	853
At 31 December 2010 and 1 January 2011	37,805	10,594	4,357	52,756
Release upon payment of withholding tax during the year (note 13)	–	–	(7,252)	(7,252)
Deferred tax (credited)/charged to the income statement during the year (note 13)	(3,086)	4,010	17,482	18,406
Exchange differences	2,251	279	522	3,052
At 31 December 2011	36,970	14,883	15,109	66,962

The Group has tax losses arising in Hong Kong of approximately HK\$764,000 (2010: HK\$764,000) and that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Peru of HK\$2,322,000 (2010: HK\$960,000) which the Group has the option to carry forward all net operating losses for 4 years or carry the losses forward indefinitely, but only up to 50% of the taxpayer's taxable income of each subsequent year. Loss carryback is not permitted. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

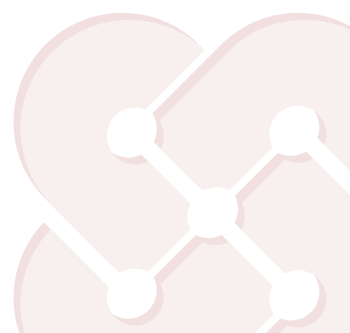
For the year ended 31 December 2011
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36. DEFERRED TAX (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and a jointly-controlled entity established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2010, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's certain subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute the remaining unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately HK\$4,210,000 at 31 December 2011 (2010: HK\$3,350,000).

At 31 December 2010 and 2011, deferred tax has been recognised for the withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's jointly-controlled entity.



NOTES TO THE FINANCIAL STATEMENTS

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37. ISSUED CAPITAL

	2011	2010
	HK\$'000	HK\$'000
Authorised:		
25,000,000,000 ordinary shares of HK\$0.10 each	2,500,000	2,500,000
Issued and fully paid:		
1,016,167,967 (2010: 1,002,467,967) ordinary shares of HK\$0.10 each	101,617	100,247

During the year ended 31 December 2011, the subscription rights attaching to 13,700,000 (2010: 2,900,000) share options were exercised at the subscription price of HK\$0.229 per share (note 38), resulting in the issue of 13,700,000 (2010: 2,900,000) shares of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$3,137,000 (2010: HK\$665,000). An amount of approximately HK\$1,726,000 (2010: HK\$365,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options. A summary of the transactions in the Company's issued share capital during the year is as follows:

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2010	999,567,967	99,957	66,740	166,697
Share options exercised	2,900,000	290	740	1,030
At 31 December 2010 and 1 January 2011	1,002,467,967	100,247	67,480	167,727
Share options exercised	13,700,000	1,370	3,493	4,863
Share issue expenses	-	-	(11)	(11)
At 31 December 2011	1,016,167,967	101,617	70,962	172,579

Details of the Company's share option scheme and the share options issued under the scheme are included in note 38 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
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38. SHARE OPTION SCHEME

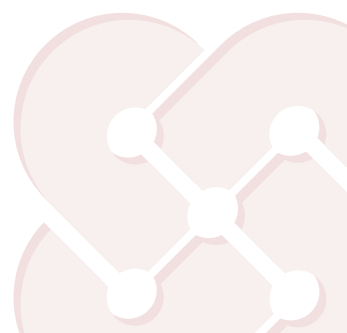
A share option scheme was adopted pursuant to the written resolutions passed by the shareholders of the Company on 29 June 2009 (the "Share Option Scheme"). The Share Option Scheme became effective on 29 June 2009 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

Eligible participants of the Share Option Scheme include (i) any full-time employees and directors (including executive directors, non-executive directors and independent non-executive directors) of the Group; (ii) any advisor or consultant to the Group, providers of goods and/or services to the Group, and any other person who, at the sole determination of the board of directors of the Company, has contributed to the Group; and (iii) the trustee of any trust whose beneficiaries or objects include any aforesaid employee or business associate.

The maximum number of share options permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the Share Option Scheme. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.



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38. SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on a date which is not later than ten years from the date of offer of the share options.

The exercise price of share options is determinable by the directors, but shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant of the share options; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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

The following share options were outstanding under the Share Option Scheme during the years ended 31 December 2010 and 2011:

	2011		2010	
	Weighted average exercise price per share HK\$	Number of options '000	Weighted average exercise price per share HK\$	Number of options '000
At 1 January	0.229	57,680	0.229	60,580
Exercised during the year	0.229	(13,700)	0.229	(2,900)
At 31 December	0.229	43,980	0.229	57,680

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.65 (2010: HK\$0.85) per share. No share option under the Share Option Scheme was granted, forfeited or expired during the years ended 31 December 2010 and 2011.

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38. SHARE OPTION SCHEME (continued)

The exercise price and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

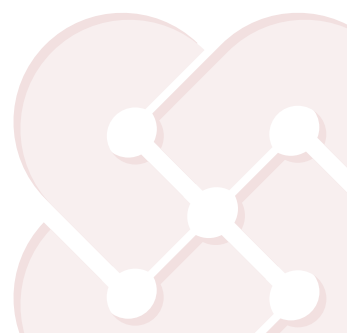
Year	Date of grant	Number of options	Exercise price* per share HK\$	Exercise period
2011	6 July 2009	<u>43,980,000</u>	0.229	6 July 2009 to 5 July 2019
2010	6 July 2009	<u>57,680,000</u>	0.229	6 July 2009 to 5 July 2019

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

The 13,700,000 share options exercised during the year ended 31 December 2011 resulted in the amount of 13,700,000 ordinary shares of the Company and new share capital of HK\$1,370,000 and share premium of approximately HK\$3,493,000, as further detail in note 39 to the financial statements.

At the end of the reporting period, the Company had 43,980,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 43,980,000 additional ordinary shares of the Company and additional share capital of HK\$4,398,000 and share premium of approximately HK\$11,215,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 43,980,000 share options outstanding under the Share Option Scheme, which represented approximately 4.33% of the Company's shares in issue as at that date.



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39. RESERVES

(a) GROUP

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 37 of this annual report.

The Group's capital reserve represents negative goodwill arisen on acquisitions prior to 1 January 2001.

According to the relevant PRC rules and regulations and the Articles of Association of the PRC subsidiary of the Company which require the appropriation of 10% of its profit after tax to the statutory surplus reserve until the balance of the reserve reaches 50% of its registered capital. The transfer of the reserve must be made before distributions of dividends to owners of the Group. Statutory surplus reserve can be used for making up losses and may be converted into capital in proportion to existing owners' equity percentage, provided that the balance after such issuance is not less than 25% of its registered capital.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

39. RESERVES (continued)

(b) COMPANY

	Note	Share premium account HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
At 1 January 2010		66,740	7,631	18,437	14,994	107,802
Total comprehensive income for the year		-	-	41,473	-	41,473
Share options exercised	38	740	(365)	-	-	375
Final 2009 dividend paid		-	-	-	(14,996)	(14,996)
Interim 2010 dividend paid	14	-	-	(9,998)	-	(9,998)
Proposed 2010 dividend	14	-	-	(15,037)	15,037	-
Transfer to retained earnings		-	-	(2)	2	-
At 31 December 2010 and 1 January 2011		67,480	7,266	34,873	15,037	124,656
Total comprehensive income for the year		-	-	42,141	-	42,141
Share options exercised	38	3,493	(1,726)	-	-	1,767
Share issue expenses	37	(11)	-	-	-	(11)
Final 2010 dividend paid	14	-	-	-	(15,153)	(15,153)
Interim 2011 dividend paid	14	-	-	(10,162)	-	(10,162)
Proposed 2011 dividend	14	-	-	(15,243)	15,243	-
Transfer to retained earnings		-	-	(116)	116	-
At 31 December 2011		70,962	5,540	51,493	15,243	143,238

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

40. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2010, the Group disposed of its entire equity interests in Profit Hunter Investment Limited at a cash consideration of USD1 (or equivalent to HK\$7.8).

	2010 HK\$'000
<hr/>	
Net liabilities disposed of:	
Prepayments, deposits and other receivables	18
Cash and bank balances	4
Other payables and accruals	(5)
Amount due to ultimate holding company	(46)
Amount due to intermediate holding company	(15)
Amount due to a fellow subsidiary	(121)
	<hr/>
	(165)
Gain on disposal of subsidiaries	165
	<hr/>
	-
<hr/>	
Satisfied by:	
Cash	-
	<hr/>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2010 HK\$'000
<hr/>	
Cash consideration	-
Cash and bank balances disposed of	(4)
	<hr/>
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(4)
	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

41. OPERATING LEASE ARRANGEMENTS

(a) AS LESSOR

The Group leases certain of its investment properties and machineries under operating lease arrangements, which leases negotiated for terms ranging from one to three years.

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

	Group	
	2011 HK\$'000	2010 HK\$'000
Within one year	1,752	1,932
In the second to fifth years, inclusive	1,336	643
	3,088	2,575

(b) AS LESSEE

The Group leases its office property under operating lease arrangements. Lease for property is negotiated for a terms of two years.

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

	Group	
	2011 HK\$'000	2010 HK\$'000
Within one year	800	800
In the second to fifth years, inclusive	-	800
	800	1,600

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

42. LITIGATIONS

- (1) On 12 May 2011, IMC (an indirectly wholly owned subsidiary of the Company) received the Civil Case Judgement Wu Min Shang Wai Chu Zi Order No. 11 (2009) (民事裁定書(2009)武民商外初字第11號) dated 5 May 2011 issued by the Intermediate People's Court of Wuhan City, Hubei Province, the PRC (中華人民共和國湖北省武漢市中級人民法院) (the "PRC Intermediate Court"), pursuant to which the PRC Intermediate Court accepted the plaintiff's application to withdraw its claim against IMC and a former subsidiary of the Group for an outstanding investment fund of RMB20 million together with the interests of RMB21.63 million (the "Withdrawal") due to seeking for new evidence by the plaintiff.

The Board is advised by its legal advisors in the PRC that the part of IMC's shareholding which is worth approximately RMB41.63 million in the capital of its jointly-controlled entity in the PRC being frozen in connection with the above claim under the asset preservation order of the PRC Intermediate Court made on 5 May 2009 has been released as a result of the Withdrawal.

- (2) During the year under review, WHM (an indirectly 51%-owned subsidiary of the Company) received a civil case judgement issued by the People's Court of Jianhan District, Wuhan City, Hubei Province, the PRC (中華人民共和國湖北省武漢市江漢區人民法院) (the "PRC Court"), pursuant to which the PRC Court mandatorily enforced WHM to repay certain claimants against Wuhan Huaxin Real Estate Co., Ltd. ("WHRED", the Group's available-for-sale investment) amounted to RMB11,660,173 (approximately HK\$14,020,000) (the "Compensation"). The PRC Court mandatorily executed to debit the sums directly from WHM's bank account. WHM has already filed a written objection with the PRC Court to challenge against both the judgement and the mandatory execution for the reason that WHM was not a directly related company to WHRED. Based on the legal opinion from the Group's PRC legal advisors, the directors are of the opinion that WHM should not be liable for any repayment liabilities incurred by WHRED since both WHM and WHRED are separate entities under the PRC law and should not have any joint and several liabilities. Therefore, WHM should have the right to claim against the PRC Court for refund of the full amount. Meanwhile, the directors of WHM being appointed by the Group have requested the management of WHM to take effective measures to claim against the PRC Court for refund of the above-mentioned sum. Since the outcome of the claim for the refund of the full sum is uncertain, the Compensation paid was charged to the consolidated income statement for the year ended 31 December 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

43. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

	Note	Group	
		2011 HK\$'000	2010 HK\$'000
Property management fee received	(i)	3,489	3,027
Purchases from Hualing Steel	(ii)	4,598	4,613
Logistics services fee charged by Lianyuan Logistics	(iii)	10,697	10,661
Rental expenses paid	(iv)	800	792
Purchase of properties from Beijing Junefield Real Estate Development Co., Ltd. ("Beijing Junefield")	(v)	–	9,679
Financial guarantee expense paid to Beijing Junefield Sogo	(vi)	945	1,143
Financial guarantee expense paid to Lianyuan Steel	(vi)	945	1,143
Rental income from Junefield Group S.A.C.	(vii)	518	234

Notes:

- (i) The Group provided WPM, a jointly-controlled entity of the Group, with property management services, for which a property management fee of approximately HK\$3,489,000 (2010: HK\$3,027,000) was charged.
- (ii) Pursuant to the Joint Venture Agreement, the minority shareholder of Hunan Taiji procured Hualing Steel to enter into the materials supply agreement with Hunan Taiji to supply granulated steel slag to Hunan Taiji at a unit price of RMB4 per ton (Value Added Tax (VAT) inclusive). The unit material price was determined at the time of entering into the Joint Venture Agreement to establish Hunan Taiji.
- (iii) Lianyuan Steel, being the holding company of the minority shareholder of Hunan Taiji, has beneficial interests in Lianyuan Logistics. Pursuant to the logistics services agreement in relation to the transportation of granulated steel slag, the logistics services fee was determined on an annual basis between Hunan Taiji and Lianyuan Logistics with reference to the prevailing market price of similar transportation services. The outstanding balance with Lianyuan Logistics is included in accounts payable and disclosed in note 33 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

43. RELATED PARTY TRANSACTIONS (continued)**(a) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES** (continued)

Notes: (continued)

- (iv) Rental expenses paid to the ultimate holding company, the monthly rentals were mutually agreed between the contracting parties.
- (v) On 17 March 2010, Junefield Agency, an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Beijing Junefield to acquire certain properties situated in the PRC at a total cash consideration of RMB8,517,470 (equivalent to approximately HK\$9,679,000). Beijing Junefield is indirectly owned as to 55% by Mr. Zhou Chu Jian He, the chairman and the controlling shareholder of the Company. The transaction was completed on 25 March 2010.
- (vi) Pursuant to the loan agreement dated 21 January 2009 entered into between Hunan Taiji and a bank in the PRC, a bank loan of RMB100 million was advanced by the bank to Hunan Taiji and is repayable on or before 27 December 2013 (the "Loan"). Beijing Junefield Sogo and Lianyuan Steel had been providing guarantees in favour of the bank for the provision of the Loan to Hunan Taiji previously. On 15 October 2010, Hunan Taiji has subsequently entered into the guarantee fee agreements with Beijing Junefield Sogo and Lianyuan Steel respectively, pursuant to which Hunan Taiji has agreed to pay a guarantee fee equivalent to 1% on the outstanding Loan amount to each of Beijing Junefield Sogo and Lianyuan Steel in return for the guarantees provided by them in favour of the bank for the provision of the Loan during the guarantee period under the Loan agreement which is from 21 January 2009 to 27 December 2013. The guarantee fees are calculated on a half-yearly basis in arrears and payable in cash until the Loan is fully repaid. Hunan Taiji is not required to provide any security over its assets in return for the above financial assistance provided by Beijing Junefield Sogo and Lianyuan Steel.
- (vii) Rental income received or receivable from Junefield Group S.A.C., a company incorporated in Peru in which 100% of its registered capital is effectively owned by JHL, the monthly rentals were mutually agreed between the contracting parties.

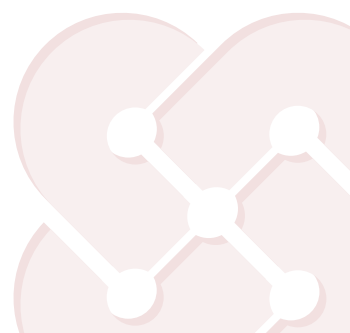
(b) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	Group	
	2011	2010
	HK\$'000	HK\$'000
Short term employee benefits	1,945	1,871
Post-employment benefits	27	27
Total compensation paid to key management personnel	1,972	1,898

Further details of directors' emoluments are included in note 11 to the financial statements.

PARTICULARS OF INVESTMENT PROPERTIES

Location	Gross floor area	Category of the lease	Use
Units 708, 731, 732, 734, 735, 1132, 1510 and 1516 of Junefield Plaza Office Tower I, No. 6 Xuan Wu Men Wai Main Street, Beijing, the PRC.	Approximately 745 sq.m.	Land use rights for 50 years from 22 March 1994	Commercial
Office Units 725-729 on Level 7 and 917 on Level 9, Junefield Plaza Office Tower II, No. 10 Xuan Wu Men Wai Main Street, Beijing, the PRC.	Approximately 744 sq.m.	Land use rights for 50 years from 22 March 1994	Commercial



FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000
REVENUE	267,135	213,070	120,006	32,095	15,078
Operating profit/(loss)	64,725	45,337	22,412	13,231	(10,254)
Finance costs	(8,401)	(7,943)	(3,180)	(6,456)	(6,933)
Gain on disposal of subsidiaries	–	165	18,454	–	–
Share of profit of a jointly-controlled entity	137,829	96,980	86,093	88,205	64,639
Profit before tax from continuing operations	194,153	134,539	123,779	94,980	47,452
Income tax	(30,826)	(15,013)	(9,911)	(2,908)	–
Profit for the year from continuing operations	163,327	119,526	113,868	92,072	47,452
Loss for the year from a discontinued operation	–	–	–	(1,589)	(3,161)
Profit for the year	163,327	119,526	113,868	90,483	44,291
Attributable to:					
Owners of the Company	140,144	104,903	108,692	90,483	44,291
Non-controlling interests	23,183	14,623	5,176	–	–
	163,327	119,526	113,868	90,483	44,291

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000
Property, plant and equipment	250,328	236,494	202,250	2,727	2,246
Investment properties	40,332	30,645	16,988	16,986	–
Prepaid land lease payments	24,811	23,977	553	548	578
Other intangible asset	147,879	151,220	159,677	–	–
Deposit for acquisition of land use rights	–	–	9,625	–	–
Investment in a jointly-controlled entity	148,996	83,554	82,104	219,610	131,405
Net current assets/(liabilities)	80,315	73,881	52,884	(139,389)	(125,159)
Non-current liabilities	(66,962)	(110,895)	(136,110)	(9,575)	(7,813)
Non-controlling interests	(181,811)	(112,536)	(95,613)	–	–
Equity attributable to owners of the Company	506,888	376,340	292,358	90,907	1,257