2011
ANNUAL REPORT

百利保控股有限公司
Paliburg Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 617)

Contents

2 Corporate Information

3 Directors' Profile

6 Chairman's Statement

16 Management Discussion and Analysis

23 Report of the Directors

37 Corporate Governance Report

43 Financial Statements

- 43 Consolidated Income Statement
- 44 Consolidated Statement of Comprehensive Income
- 45 Consolidated Statement of Financial Position
- 47 Consolidated Statement of Changes in Equity
- 49 Consolidated Statement of Cash Flows
- 50 Statement of Financial Position
- 51 Notes to Financial Statements

125 Independent Auditors' Report

127 Schedule of Principal Properties

131 Published Five Year Financial Summary

Corporate Information

DIRECTORS

Executive Directors

Lo Yuk Sui
(Chairman and Chief Executive Officer)
Donald Fan Tung
(Chief Operating Officer)
Jimmy Lo Chun To
Lo Po Man
Kenneth Ng Kwai Kai
Kenneth Wong Po Man

Independent Non-Executive Directors

Bowen Joseph Leung Po Wing, GBS, JP
Ng Siu Chan
Abraham Shek Lai Him, SBS, JP
Wong Chi Keung

AUDIT COMMITTEE

Wong Chi Keung (Chairman)
Bowen Joseph Leung Po Wing, GBS, JP
Ng Siu Chan
Abraham Shek Lai Him, SBS, JP

REMUNERATION COMMITTEE

Wong Chi Keung (Chairman)*
Lo Yuk Sui
Ng Siu Chan

NOMINATION COMMITTEE**

Lo Yuk Sui (Chairman)
Bowen Joseph Leung Po Wing, GBS, JP
Ng Siu Chan
Abraham Shek Lai Him, SBS, JP
Wong Chi Keung

SECRETARY

Eliza Lam Sau Fun

* appointed on 29th March, 2012
** established on 29th March, 2012

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
Standard Chartered Bank (Hong Kong) Limited

PRINCIPAL REGISTRAR

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

BRANCH REGISTRAR IN HONG KONG

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

REGISTERED OFFICE

Rosebank Centre, 11 Bermudiana Road,
Pembroke, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, 68 Yee Wo Street,
Causeway Bay,
Hong Kong

Tel: 2894 7888
Fax: 2890 1697
Website: www.paliburg.com.hk

Mr. Lo Yuk Sui, *aged 67; Chairman and Chief Executive Officer* — Chairman and Managing Director since 1993 and designated as Chief Executive Officer in 2007. Mr. Lo has been the Managing Director and the Chairman of the predecessor listed companies of the Group since 1984 and 1986 respectively. He is also the chairman and chief executive officer of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, Regal Hotels International Holdings Limited ("RHIHL"), the listed associate of the Company, and the non-executive chairman of Regal Portfolio Management Limited ("RPML"), the manager of Regal Real Estate Investment Trust (the listed subsidiary of RHIHL). Mr. Lo is a qualified architect. In his capacity as the Chief Executive Officer, Mr. Lo oversees the overall policy and decision making of the Group. Mr. Lo is the father of Mr. Jimmy Lo Chun To and Miss Lo Po Man.

Mr. Donald Fan Tung, *aged 55; Executive Director and Chief Operating Officer* — Appointed to the Board in 1993 and designated as Chief Operating Officer in 2007. Mr. Fan has been with the Group since 1987 and is principally involved in the Group's property development, architectural design and project management functions as well as overseeing the building construction business of the Group. Mr. Fan is a qualified architect. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML.

Mr. Bowen Joseph Leung Po Wing, *GBS, JP, aged 62; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2008. Mr. Leung previously served the Hong Kong Government for over 32 years until his retirement as the Director of the Office of the Government of the Hong Kong Special Administrative Region in Beijing ("Beijing Office") in November 2005. Mr. Leung joined the Administrative Service in June 1973 and rose to the rank of Administrative Officer Staff Grade A1 in June 1996. During his service in the Administrative Service, Mr. Leung had served in various policy bureaux and departments. Senior positions held by Mr. Leung included: Deputy Secretary for District Administration (later retitled as Deputy Secretary for Home Affairs); Deputy Secretary for Planning, Environment and Lands; Private Secretary, Government House, Secretary for Planning, Environment and Lands and Director of the Beijing Office. Mr. Leung has extensive experience in corporate leadership and public administration. During his tenure as the Director of the Beijing Office, he had made commendable efforts in promoting Hong Kong in the Mainland, as well as fostering closer links and co-operation between Hong Kong and the Mainland. Mr. Leung is an independent non-executive director and a member of the Audit Committee of PYI Corporation Limited and North Asia Resources Holdings Limited, both of which are companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He also acts as special consultant to the board of directors of Sands China Limited, which is a company listed on the Stock Exchange.

Mr. Jimmy Lo Chun To, *aged 38; Executive Director* — Appointed to the Board in 1999. He is also an executive director of CCIHL and RHIHL and a non-executive director of RPML. Mr. Jimmy Lo graduated from Cornell University, New York, U.S.A. with a Degree in Architecture. Apart from his involvement in the design of the Group's property projects and the hotel projects of the RHIHL group, he undertakes responsibilities in the business development function of the Century City Group. He is the son of Mr. Lo Yuk Sui and the brother of Miss Lo Po Man.

Miss Lo Po Man, *aged 32; Executive Director* — Appointed to the Board in 2007. Miss Lo graduated from Duke University, North Carolina, U.S.A. with a Bachelor Degree in Psychology. She is also an executive director of CCIHL and RHIHL. Miss Lo joined the RHIHL group in 2000 and has been involved in the marketing and sales functions of the RHIHL group. Miss Lo is an executive director of the estate agency business of the RHIHL group and has undertaken an active role in directing the marketing campaign of the Regalia Bay luxury residential development in Stanley, Hong Kong. She also undertakes responsibilities in the business development function of the RHIHL group. Miss Lo is the daughter of Mr. Lo Yuk Sui and the sister of Mr. Jimmy Lo Chun To.

Mr. Kenneth Ng Kwai Kai, *aged 57; Executive Director* — Appointed to the Board in 1995. Mr. Ng has been with the Group since 1985 and is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group. Mr. Ng is a Chartered Secretary. Mr. Ng is also an executive director and the chief operating officer of CCIHL, an executive director of RHIHL and a non-executive director of Cosmopolitan International Holdings Limited ("Cosmopolitan"), a company listed on the Stock Exchange.

Mr. Ng Siu Chan, *aged 81; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 1995. Mr. Ng is also an independent non-executive director of CCIHL and RHIHL. He is a non-executive director of Transport International Holdings Limited, which is publicly listed in Hong Kong.

Hon Abraham Shek Lai Him, *SBS, JP, aged 66; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2002. Mr. Shek holds a Bachelor Degree of Arts. He is currently a member of the Legislative Council for the Hong Kong Special Administrative Region. He is also a Member of the Court of The Hong Kong University of Science and Technology, Member of both of the Court and the Council of The University of Hong Kong, Director of The Hong Kong Mortgage Corporation Limited and Vice Chairman of Independent Police Complaints Council. Mr. Shek is the chairman and an independent non-executive director of Chuang's China Investments Limited, the vice chairman, an independent non-executive director and a member of the audit committee of ITC Properties Group Limited, an independent non-executive director and a member of the audit committee of China Resources Cement Holdings Limited, Chuang's Consortium International Limited, Country Garden Holdings Company Limited, ITC Corporation Limited, Kosmopolito Hotels International Limited, Lifestyle International Holdings Limited, Midas International Holdings Limited, NWS Holdings Limited, SJM Holdings Limited and Titan Petrochemicals Group Limited, and an independent non-executive director of Hop Hing Group Holdings Limited, Hsin Chong Construction Group Limited and MTR Corporation Limited, all of which companies are listed on the Stock Exchange. He is also an independent non-executive director and a member of the audit committee of Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (which is listed on the Stock Exchange), and RPML.

Mr. Wong Chi Keung, *aged 57; Independent Non-Executive Director* — Invited to the Board as Independent Non-Executive Director in 2004. Mr. Wong is also an independent non-executive director of CCIHL and RHIHL. He holds a Master's Degree in Business Administration from the University of Adelaide in Australia. He is a fellow member of Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and CPA Australia and an associate member of The Institute of Chartered Secretaries and Administrators and The Chartered Institute of Management Accountants. Mr. Wong is also a responsible officer for asset management, advising on securities and advising on corporate finance for Greater China Capital Limited under the Securities and Futures Ordinance of Hong Kong. Mr. Wong was an executive director, the deputy general manager, group financial controller and company secretary of Guangzhou Investment Company Limited (now known as "Yuexiu Property Company Limited"), a company listed on the Stock Exchange, for over ten years. He is also an independent non-executive director and a member of the audit committee of Asia Orient Holdings Limited, Asia Standard International Group Limited, China Nickel Resources Holdings Company Limited, China Ting Group Holdings Limited, ENM Holdings Limited, First Natural Foods Holdings Limited (Provisional Liquidators Appointed), Golden Eagle Retail Group Limited, Ngai Lik Industrial Holdings Limited, PacMOS Technologies Holdings Limited and TPV Technology Limited, all of which are companies listed on the Stock Exchange. Mr. Wong has over 30 years of experience in finance, accounting and management.

Mr. Kenneth Wong Po Man, *aged 46; Executive Director* — Appointed to the Board in 2007. Mr. Wong is a qualified architect. He graduated from the University of Hong Kong with a Bachelor of Arts Degree in Architectural Studies and a Bachelor Degree of Architecture. He also holds a Master of Science Degree in Real Estates from the University of Hong Kong. Mr. Wong has been with the Group for over 19 years. He has been involved in architectural design and project management in respect of various property development projects of the Group and its associates and is also the Technical Director of Chatwin Engineering Limited, the construction arm of the Group, registered under the Buildings Ordinance. Mr. Wong is also a non-executive director of Cosmopolitan.

Chairman's Statement

Dear shareholders,

I am pleased to present the Annual Report of the Company for the year ended 31st December, 2011.

FINANCIAL RESULTS

For the year ended 31st December, 2011, the Group achieved a consolidated profit attributable to shareholders of HK$1,484.2 million, as compared to the profit of HK$2,150.5 million attained in 2010.

The profit achieved in the year under review was principally attributable to the profit contribution from the Larvotto joint venture while, for the previous financial year, a very significant part of the profit attained was related to a one-off accounting gain recognised by Regal Hotels International Holdings Limited, the listed associate of the Group, on the consolidation of Regal Real Estate Investment Trust as a subsidiary of Regal in July 2010.

DIVIDENDS

The Directors have resolved to recommend the payment of a final dividend of HK8.0 cents per ordinary share for the year ended 31st December, 2011, representing an increase of about 6.7% over the final dividend of HK7.5 cents per ordinary share paid for the last financial year. This proposed final dividend will absorb an amount of approximately HK$91.9 million (2010 – HK$84.3 million) and will be payable to the holders of ordinary shares on the Register of Ordinary Shareholders on 8th June, 2012.

Together with the interim dividend of HK1.8 cents (2010 – HK1.5 cents) and a special interim cash dividend of HK10.0 cents (2010 – Nil) per ordinary share paid in October 2011, total dividends per ordinary share for the year ended 31st December, 2011 will amount to HK19.8 cents (2010 – HK9.0 cents). Comparing on the basis of ordinary dividends, the total ordinary dividends for the year will represent an increase of about 8.9% over those paid in 2010 and, if the special interim cash dividend paid in 2011 is included, the increase in the total dividends will amount to 120.0%.

BUSINESS OVERVIEW

PROPERTIES

The Group has a 30% interest in Larvotto, the luxury residential development at Ap Lei Chau Inland Lot No. 129, Hong Kong. As mentioned in the Interim Report for 2011, most of the residential apartments and a majority of the car parks have been sold, with total sale consideration exceeding HK$16 billion. The share of the net cash proceeds attributable to the Group has been received and the corresponding profit already reflected in the financial statements of the Group for the year under review. Save for the comparatively minor distribution yet to be received from the disposal of the remaining units, the Group's investment in the Larvotto joint venture project can virtually be regarded as having been successfully completed.

In April 2011, Flourish Lead Investments Limited was established by Regal and the Group as a 50:50 owned joint venture for the development of real estate projects for sale and/or leasing, which has now been renamed as P&R Holdings Limited.

As mentioned in the 2011 Interim Report, P&R Holdings has since its establishment acquired a total of 3 sites in Hong Kong, two of which are located in Sheung Wan District and were acquired from the Group, while the other one is located in North Point and was acquired from a third party. All the three sites are all planned for hotel developments. In June 2011, P&R Holdings further acquired a 70% effective interest in the composite development in Xindu District, Chengdu, Sichuan, the People's Republic of China, which was previously owned by the joint venture entity 50:50 held by each of Regal and Cosmopolitan International Holdings Limited.

Later in September 2011, through one of its wholly owned subsidiaries, P&R Holdings has successfully acquired at a government land auction another development site at Tan Kwai Tsuen Road, Yuen Long, New Territories, which is intended to be developed into residential houses and apartments.

Shareholders could refer to the section headed "Management Discussion and Analysis" in this Annual Report for further details on the progress of these property projects undertaken by P&R Holdings.

CONSTRUCTION AND BUILDING RELATED BUSINESSES

The Group operates a comprehensive range of construction and other building related businesses. Although overall business volume has relatively contracted due to keen market competition, these operating units are providing to the Group and its affiliates strong logistic support on different essential aspects of the property development and related businesses. Apart from the professional services rendered by the development consultancy unit, Chatwin Engineering Limited, the Group's construction arm, has recently been awarded, after a competitive tendering process, the main contract for the hotel construction works at Nos.132-140 Bonham Strand in Sheung Wan being developed by P&R Holdings.

OTHER INVESTMENTS

As at 31st December, 2011, the Group held, as long term strategic investments, 17.1% of the issued shares and certain 2013 convertible bonds of Cosmopolitan. Like most other financial assets, these holdings of shares and convertible bonds of Cosmopolitan are stated in the financial statements at their fair values based on the traded price of the Cosmopolitan shares and, in the case of the convertible bonds, valued by an independent professional valuer. On account of the fluctuation in the traded price of the Cosmopolitan shares, the changes in the fair values of the Group's holdings in the shares and convertible bonds of Cosmopolitan have been relatively substantial. Due to the weak performance of the stock market in Hong Kong in 2011 and the fall in the traded price of the Cosmopolitan shares, the fair values of the shares and convertible bonds of Cosmopolitan have substantially declined. This has resulted in a loss on changes in fair values of approximately HK$630.5 million, which more than reversed the corresponding profit of approximately HK$466.6 million recorded in the previous year. Although the investments in Cosmopolitan are held for long term strategic purpose and the loss resulting from the changes in their fair values is non-cash flow in nature, such changes have nevertheless adversely impacted the results of the Group for the year under review.

REGAL HOTELS INTERNATIONAL HOLDINGS LIMITED

For the year ended 31st December, 2011, Regal achieved a consolidated profit attributable to shareholders of HK$107.9 million, as compared to the HK$6,928.8 million attained in 2010. However, as previously explained, a very significant part of the profit attained last year was related to a one-off accounting gain of HK$6,637.4 million recognised on the consolidation of Regal REIT as a subsidiary of Regal in July 2010.

During the year under review, the performance of the core hotel operations of the Regal group has improved substantially, with the gross operating profits of the hotel operations of the six Regal Hotels in Hong Kong owned by the Regal group through Regal REIT having increased by about 31% to approximately HK$852.5 million. Moreover, there were gains of over HK$600 million from share of profits of jointly controlled entities, which were principally derived from the transaction relating to the sale to P&R Holdings, of 70% effective interest in the composite development in Chengdu, Sichuan by a jointly controlled entity that is 50%-owned by the Regal group.

The Regal group recorded losses of approximately HK$822.8 million on the changes in the fair values of its portfolio of financial assets, including in particular its long term holdings in the convertible bonds and shares of Cosmopolitan. In addition, the five Regal Hotels leased to the Regal group are owned by Regal REIT as investment properties, but they are treated by the Regal group in its consolidated financial statements as fixed assets and depreciation charges in a total amount of HK$351.2 million were required to be provided for these hotel properties in the financial year ended 31st December, 2011. Although the fair value losses and depreciation charges are non-cash flow items, they have nevertheless adversely affected the financial results of the Regal group for the year under review.

HOTELS

MARKET OVERVIEW

The first half of 2011 saw positive signs of gradual recovery in the global economy, but the recovery pace was stalled in the second half by the intensifying strains in the sovereign debt crisis across the Euro-zone. Towards the end of 2011, the economy in the United States was able to regain some momentum as a result of an improved labour market and its monetary policy to maintain a low interest environment. As the second largest economy in the world, China's Gross Domestic Product continued to expand by about 9.2% in 2011, although the growth rate has slowed down as compared to the past few years. Benefiting from its close economic ties with China and the resilience of its domestic economy, Hong Kong's GDP has managed to grow by about 5% in 2011.

During the year under review, tourist arrivals to Hong Kong hit a historical record of approximately 41.9 million, representing a 16.4% increase over the previous year. Visitors from Mainland China were still the strongest growth segment and accounted for about two-thirds of the total visitors to Hong Kong. The ever-growing affluence of the Chinese visitors have continued to drive market demands on the retail and lodging businesses in Hong Kong.

According to the Hotel Survey published by Hong Kong Tourism Board, the average hotel room occupancy rate for all the surveyed hotels in different categories for 2011 was 89%, a year-on-year increase of about 2.3%, while the average RevPAR (Revenue per Available Room) improved by about 19%.

HOTEL OWNERSHIP

The Regal group's hotel ownership business is undertaken through Regal REIT, in which the Regal group is holding approximately 74.5% of its issued units.

For the year ended 31st December, 2011, Regal REIT achieved a consolidated net profit before distribution to unitholders of HK$2,997.3 million, which was an increase of about 200% over the comparative amount of HK$997.1 million recorded for the year 2010. The significant improvement in the net profit achieved was principally attributable to the increase in the fair values of the five Regal Hotels leased to the Regal group and held by Regal REIT as investment properties. Total distributable income of Regal REIT for the year amounted to approximately HK$397.9 million, as compared to HK$682.9 million for the preceding year.

However, as the five Regal Hotels leased to the Regal group are treated by the Regal group as fixed assets, they are stated in the Regal group's consolidated financial statements at their fair values as at the time when Regal REIT became a subsidiary of the Regal group in July 2010, plus subsequent capital additions and deducting accumulated depreciation. Accordingly, any subsequent changes in their fair values, including those recorded by Regal REIT in its results for 2011, would not be reflected in the consolidated financial statements of the Regal group. On the other hand and as mentioned above, depreciation charges in a total amount of HK$351.2 million were required to be provided for such hotel properties in the financial year under review.

The annual base rent for the five Regal Hotels leased to the Regal group, namely, the Regal Airport Hotel, the Regal Hongkong Hotel, the Regal Kowloon Hotel, the Regal Oriental Hotel and the Regal Riverside Hotel, for the year 2011 was HK$560 million, as determined by a jointly appointed independent professional valuer. On account of the satisfactory operating results achieved by these hotels in 2011, Regal REIT received from the Regal group additional variable rent of approximately HK$116.0 million, based on 50% sharing of the excess of the aggregate net property income for the year over the annual base rent.

The annual base rent payable by the Regal group for the year 2012 under the market rental package determined by the independent professional valuer was HK$645 million, an increase of approximately 15.2% over the base rent for 2011, and likewise with an equal sharing of the excess net property income.

Regal REIT continues to invest in capital additions projects as an ongoing programme to upgrade the quality and standards of the rooms and facilities in the hotels. During 2011, over 450 guestrooms and suites across the five Regal Hotels and various ballrooms, function rooms and food and beverage outlets in the Regal Hongkong Hotel, Regal Kowloon Hotel and Regal Riverside Hotel have been renovated. Recently, government approvals have been obtained for the conversion of part of the second floor and the fourteenth floor at the Regal Oriental Hotel into 56 new additional rooms and interior fitting out plans are being finalised to convert these areas, which are now being used for food and beverage operations, into the more lucrative room business.

The sixth Regal Hotel owned by Regal REIT, the Regal iClub Hotel in Wanchai, is managed by the Regal group's wholly owned subsidiary but operated by Regal REIT itself. The hotel began full operation with 99 rooms and suites in December 2010 and has performed very well during the year. Year round occupancy was recorded at a level of about 96% and the RevPAR was about 41% higher than that attained in 2010.

Regal REIT recently concluded arrangements for a new 3-year HK$4,500 million term loan facility, involving a syndicate of 12 local and international banks, to refinance the existing term loan facilities that will mature on 30th March, 2012. Due to the changes in the financial market, the interest margin for the new term loan facility will be higher than that under the existing loan facilities, but the interbank interest rate is now much lower than the level when the interest rate swap and hedging arrangements were put in place for the existing facilities in 2007. Therefore, it is expected that there would be overall savings in the finance costs for the bank loans of Regal REIT, as compared with the effective loan interest paid in the previous years. Management of Regal REIT will closely monitor the interest rate market to determine whether and when it will be beneficial to put in place new interest rate swaps for the new term loan facility.

Regal Portfolio Management Limited, a wholly owned subsidiary of the Regal group, acts as the REIT Manager of Regal REIT.

HOTEL OPERATIONS

The five Regal Hotels in Hong Kong leased by the Regal group from Regal REIT have all performed very satisfactorily in the year under review. Their combined average occupancy rate has increased over the previous year by about 5.8% to 90.7%, with average RevPAR having at the same time improved by about 28.7%. Total gross operating profits for the five hotels for the year amounted to approximately HK$822.7 million.

After adjusting its marketing strategy to increase market share, the occupancy rate for Regal Airport Hotel has increased year-on-year by about 11.1% to 86.7%, while its average RevPAR improved by about 17.9%. Having regard to the superior quality and standards of the Regal Airport Hotel as well as its strategic location, which for many consecutive years have been voted as the Best Airport Hotel in Asia Pacific and the World, the Regal group considers that there is still further room for improvement in its overall profitability.

HOTEL MANAGEMENT

All the six Regal Hotels in Hong Kong are managed by Regal Hotels International Limited, a wholly owned subsidiary of the Regal group.

In China, there are presently seven hotels under operation which are managed by the Regal group, of which four are in Shanghai, one in Chengdu, Sichuan, one in Dezhou, Shandong and the latest one in Guiyang, Guizhou, which was taken over and renamed as the Regal Poly Guiyang Hotel in October 2011. There are another six hotel projects with which the Regal group has entered into management services contracts, which are in different stages of development. In the order of their targeted dates of opening, spreading out from late 2012 to the 3rd quarter of 2014, these hotel projects are, respectively, the 310-room Regal Yuhong Hotel in Zhengzhou, Henan, the 310-room Regal Xindu Hotel in Chengdu, Sichuan, the 260-room Regal Fanhua Center Hotel in Suzhou, Jiangsu, the 220-room Regal Financial Center Hotel in Foshan, Guangdong, the 300-room Regal Royale Hotel in Kunshan, Jiangsu and the 300-room Regal Wolong Hotel in Wuhan, Hubei.

The Regal group will continue to invest additional management and financial resources to its management businesses in China, with a view to expanding its network to other major cities.

PROPERTIES

Due to the tightening of market liquidity, the property market in Hong Kong was faced with some consolidation since the latter part of last year. Viewing from a longer term perspective, a cooling down of overheated demands with resultant stabilisation in price levels might indeed be beneficial to the development of a healthy and sustainable market.

The Regal group still retains 19 houses in Regalia Bay, Stanley, Hong Kong, apart from the 2 houses contracted to be sold and scheduled for completion later this year. Three houses have been leased out during the year. The Regal group will continue with the disposal of some houses if the price is considered favourable but, in the meantime, may also consider leasing out further houses for rental income.

As mentioned above, the Regal group is the 50% joint venture partner of the Group in P&R Holdings.

OTHER INVESTMENTS

The Regal group held a sizable investment portfolio consisting primarily of listed securities. The Regal group owned within this portfolio a substantial holding of convertible bonds due 2013 and a relatively minor interest in the shares of Cosmopolitan, which are held as long term strategic investments. For reasons already explained above, the fall in the traded price of the Cosmopolitan shares and the resultant loss arising from the changes in the fair values of these investments have similarly adversely affected the results of Regal group for the year under review.

OUTLOOK

REGAL GROUP

Despite the uncertainty over the pace of recovery of the global economy and the anticipated slowdown in the GDP growth in China, Hong Kong is still forecasting that the number of visitor arrivals will increase by about 5.5% to reach a level of 44 million in 2012.

In the bid to maintain its prominence as a favoured tourist destination and as an international financial center, Hong Kong has taken initiatives to undertake a wide array of infrastructural developments. For further integration with Mainland China, particularly the southern provinces, the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macau Bridge are already under construction. To uphold Hong Kong's competitive edge as a leading aviation hub, Hong Kong is beginning to embark on building a third runway in its international airport. As for the tourism sector, the construction of the Kai Tak cruise terminal, the redevelopment of the Ocean Park and the expansion project at the Hong Kong Disneyland should help to foster tourism growth.

The Regal group is confident of the prospects of the hotel industry in Hong Kong. The Regal group's hotel portfolio in Hong Kong has grown to command a total of 3,929 quality guestrooms and suites, representing about 10% of the current High Tariff A & B hotel room inventory in Hong Kong. Through its 50%-owned joint venture company with the Group, three new hotels are being developed in Hong Kong which, on their completion within the next three years, will add about 700 rooms and suites to the Regal group's hotel portfolio. The Regal group will continue to look for acquisition opportunities, both with a view to maintaining its eminence in the local market and, when circumstances are considered appropriate, to expand its hotel network overseas.

Although there has been some consolidation in the property market in Hong Kong since last year, the Regal group is still optimistic of the high end residential sector due to limited supply. The additional cash resources to be generated from time to time from the continuing gradual disposal of the retained houses in Regalia Bay will be useful for the funding of the Regal group's ongoing business development.

Having regard to the strong financial position and business prospects of the Regal group, the directors of Regal believe that Regal will be able to bring to its shareholders increasing returns in the coming years.

PALIBURG GROUP

With the net cash proceeds received from the Larvotto joint venture project, the financial strength of the Group has been significantly enhanced. The Group is effectively debt free with substantial cash reserves. While the Group has already been expanding its property development businesses actively through P&R Holdings, the Group will continue to look out for any suitable acquisition opportunities to further enlarge its development land bank.

The Directors are hopeful that when the projects presently undertaken by P&R Holdings are progressively completed as planned, the results of the Group over the next few years would be very rewarding.

DIRECTORS AND STAFF

I would like to extend my gratefulness to all my fellow Directors for their contribution and support over the past year and to thank all the management and staff members for their hard work and devotion.

LO YUK SUI
Chairman

Hong Kong
21st March, 2012

JOINT VENTURE DEVELOPMENTS

Artist impression of the hotel development in North Point, Hong Kong

Artist impression of the two hotel developments in Sheung Wan, Hong Kong

Artist impression of a hotel lobby

Hotel Developments

Composite Development

Chengdu ▪ Mainland China

▪ A composite hotel / residential / commercial development

Composite Development

Chengdu ▪ Mainland China

▪ A composite hotel / residential / commercial development

Management Discussion and Analysis

BUSINESS REVIEW

The Group's significant investments and principal business activities mainly comprise property development and investment (including through the joint venture in P&R Holdings Limited ("P&R Holdings")), construction and building related businesses and other investments including, in particular, its interests in Regal Hotels International Holdings Limited ("RHIHL"), the listed associate of the Company. The significant investments and business interests of RHIHL comprise hotel ownership through Regal Real Estate Investment Trust ("Regal REIT") (the listed subsidiary of RHIHL), hotel operation and management businesses, asset management of Regal REIT, property development and investment, including through the joint venture in P&R Holdings and the interest in the retained houses in Regalia Bay in Stanley, and other investment businesses.

The performance of the Group's property, construction and building related and other investment businesses, RHIHL's hotel, property and other investment businesses as well as that of Regal REIT during the year under review, the commentary on the local hotel industry and changes in general market conditions and the potential impact on their operating performance and future prospects are contained in the preceding Chairman's Statement.

The Group has no immediate plans for material investments or capital assets, other than those as disclosed in the sections headed "Business Overview" and "Outlook" in the preceding Chairman's Statement and in this Management Discussion and Analysis ("MD&A").

Other Investments

The Group holds, as long term strategic investments, 17.1% of the issued shares of Cosmopolitan International Holdings Limited ("Cosmopolitan") and certain convertible bonds issued by the Cosmopolitan group. Due to the decreased market price of the Cosmopolitan shares as compared with that prevailing as at 31st December, 2010, the fair values of the Group's investments in Cosmopolitan have substantially declined. Consequently, the fair value losses on financial assets recorded in the final results under review were mostly attributable to the Group's investments in Cosmopolitan.

Joint Venture – P&R Holdings Limited (formerly known as Flourish Lead Investments Limited)

P&R Holdings is a 50:50 owned joint venture established with RHIHL in April 2011, with maximum total capital commitment presently capped at HK$3,800 million. The maximum capital commitment for each of the Company and RHIHL is HK$1,900 million, which is to be contributed on a pro-rata basis in accordance with their respective shareholdings in P&R Holdings. P&R Holdings has, since its establishment, acquired a number of property development projects. Further information relating to such property development projects is set out below:

Hong Kong

Nos.132-140 Bonham Strand and
Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan

In May 2011, P&R Holdings acquired two development sites from the Group for an aggregate transaction consideration of HK$752 million, which was equivalent to the then market valuations of the properties as appraised by an independent professional valuer appointed by P&R Holdings.

The development site at Nos.132-140 Bonham Strand, with a site area of approximately 5,430 square feet, is planned for the development of a hotel with 248 guestrooms and suites with gross floor area of approximately 79,800 square feet. The foundation works are being carried out and will soon be completed. The superstructure works for this hotel development will commence shortly and are expected to be completed in the fourth quarter of 2013.

The other development site is constituted by two adjoining properties at Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street having an aggregate site area of approximately 3,710 square feet. The general building plans for the development of a hotel with 98 guestrooms and suites, with total gross floor area of approximately 56,350 square feet, have been approved. The foundation works for this site have commenced and completion of the hotel development is presently anticipated for the fourth quarter of 2014.

Nos.14-20 Merlin Street, North Point

The sale and purchase agreement entered into with an independent third party vendor in August 2011 for the purchase of the subject properties at a consideration of HK$459.3 million was, upon delivery of vacant possession by the vendor, completed in September 2011. The properties have an aggregate site area of approximately 5,300 square feet and the plans for their development into a hotel with about 351 guestrooms and suites, with total gross floor area of approximately 75,490 square feet, have been approved. Foundation works are currently in progress and this development project is scheduled for completion in the third quarter of 2014.

Lot No. 4309 in Demarcation District No. 124, Tan Kwai Tsuen Road, Yuen Long, New Territories

This development site was acquired at a land premium of HK$361.0 million through a government public auction held in September 2011. The site has an area of approximately 120,470 square feet and is planned for a residential development with a total of 170 units, comprising 36 houses and 134 apartments, having an aggregate gross floor area of approximately 120,470 square feet. The building plans have been submitted to the government for approval.

Mainland China

Composite development project in Xindu District, Chengdu, Sichuan

The 70% interest in this property project was acquired by P&R Holdings in June 2011 from the jointly controlled entity that is 50:50 owned by the RHIHL group and Cosmopolitan. The consideration payable by P&R Holdings was based on an agreed value of HK$1,000 million, representing a discount of 12% to the appraised value as at 29th June, 2011 of RMB1,350 million for the whole property project, which appraisal was carried out by an independent professional valuer jointly engaged by the vendor and P&R Holdings. Details of this transaction were contained in the joint announcement of the Company dated 30th June, 2011.

This project in Chengdu is a mixed use development planned to consist of hotel, commercial, office and residential components. The project has an overall total gross floor area of approximately 5,360,000 square feet and will be developed in stages. The first stage now primarily comprises a five-star hotel and three residential towers, to be constructed on two separate land parcels. The hotel will have 306 hotel rooms and extensive facilities, with total gross floor area above ground of approximately 438,000 square feet. Superstructural works for the hotel development is progressing and the first phase of hotel is presently scheduled to be soft opened in the second quarter of 2013. The three residential towers included in the first stage will have about 340 apartment units with car parks and some ancillary commercial accommodation, commanding total gross floor area of approximately 489,000 square feet. Superstructure works for this part of the development are also in progress, with overall construction works scheduled to be completed in the first quarter of 2013. Presale of the residential units is anticipated to be launched shortly in the second quarter of 2012. Development works for the other stages are planned to be carried out progressively.

Regal (Chongqing) Equity Investment Fund

P&R Holdings have subscribed, through two of its wholly owned subsidiaries, a total amount of approximately RMB250 million in a cross-border Renminbi fund, named as Regal (Chongqing) Equity Investment Fund, in December 2011. The fund was established as a limited partnership and its investment objective is principally to support the businesses undertaken by P&R Holdings in China. A wholly owned subsidiary of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, acts as the general partner of the fund and holds a very minor interest in the partnership.

Other Joint Venture – Hang Fok Properties Limited

The joint development project in the Central Business District in Beijing, the People's Republic of China ("PRC") is held through Hang Fok Properties Limited ("Hang Fok"), an associate that is 50% owned by each of the Group and the RHIHL group. As previously reported, Hang Fok has been exercising strenuous efforts to set aside the earlier adverse arbitral award to rescind the previous agreements for the purchase by Hang Fok from the third party vendor of 36% interests in the PRC joint venture entities that hold the subject development site. Such efforts have unfortunately not been successful and the beneficial interests of Hang Fok in the PRC joint venture entities have effectively been reduced from 59% to 23%. Appropriate provision had already been made by Hang Fok in the financial year ended 31st December, 2010 and the interest held by the Group in this development project is now carried in the consolidated financial statements of the Group at an insignificant amount. Nevertheless, the Group's management will persist in striving to protect the Group's interest in the project and to salvage potential value. Shareholders will be kept informed if any substantive progress in this respect can be achieved.

FINANCIAL REVIEW

CAPITAL AND FUNDING

Funding and Treasury Policy

The Group adopts a prudent funding and treasury policy with regard to its overall business operations. Property development projects are financed partly by internal resources and partly by bank financing. Project financing is normally arranged in local currency to cover a part of the land cost and a major portion or the entire amount of the construction cost, with interest calculated by reference to the interbank offered rates and the loan maturity tied in to the estimated project completion date.

As the Group's banking facilities were all denominated in Hong Kong dollar and US dollar currencies and in relatively insignificant amounts, and with interest primarily determined with reference to interbank offered rates, no hedging instruments for currency or interest rates purposes have been deployed during the year under review.

Cash Flow

Net cash flows generated from operating activities during the year under review amounted to HK$104.8 million (2010 – net cash flows used in operating activities of HK$184.2 million). Net interest receipt for the year amounted to HK$11.9 million (2010 – HK$3.9 million).

Borrowings

As at 31st December, 2011, the Group had cash and bank balances and deposits, net of borrowings, of HK$1,395.2 million (2010 – HK$417.1 million and no borrowings).

As at 31st December, 2011, the held-to-maturity investment of HK$36.7 million (2010 – Nil) and certain ordinary shares in the listed associate with a market value of HK$224.3 million (2010 – HK$293.9 million) were pledged to secure general banking facilities granted to the Group.

Details of the maturity profile of the borrowings, pledge of assets and contingent liabilities of the Group are shown in notes 28, 35 and 36, respectively, to the financial statements.

Share Capital

During the year under review, a total of 30,857,400 new ordinary shares of the Company were allotted and issued to the holders of the 30,857,400 outstanding share options granted under the share option scheme of the Company named as "The Paliburg Holdings Limited Share Option Scheme" (the "Share Option Scheme"), who exercised such share options to subscribe for new ordinary shares of the Company at the adjusted exercise price of HK$1.97 per ordinary share. Details of the movements in share options granted by the Company during the year are disclosed in note 30 to the financial statements.

The Company repurchased a total of 5,782,000 ordinary shares of the Company at an aggregate purchase price of HK$13,338,540 on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year under review. Except for 304,000 repurchased ordinary shares which were cancelled subsequent to the year end date, all other repurchased ordinary shares were cancelled during the year. Further details of the repurchase by the Company of its ordinary shares during the year are disclosed under the section headed "Purchase, Sale or Redemption of the Company's Listed Securities" in the Report of the Directors below.

Subsequent to the year end date, the Company further repurchased a total of 586,000 ordinary shares of the Company at an aggregate purchase price of HK$1,296,740 on the Stock Exchange. All these repurchased ordinary shares, together with the abovementioned 304,000 ordinary shares repurchased but not cancelled during the year, were cancelled before the date of this report.

ASSETS VALUE

On the basis that the Group's interest in RHIHL is adjusted, assuming that the RHIHL group's hotel property portfolio, which is stated at its deemed cost less accumulated depreciation in its consolidated financial statements, is restated at its market value as at 31st December, 2011 with the relevant deferred tax liabilities added back, the unaudited adjusted net asset value of the ordinary shares of the Company would increase to HK$8.94 per share, as follows:

	As at 31st December, 2011	
	HK$'million	HK$ per ordinary share
Book net assets after non-controlling interests	**8,945.9**	**7.78**
Adjustment to restate the Group's interest in RHIHL based on its adjusted net assets	**1,331.6**	**1.16**
Unaudited adjusted net assets after non-controlling interests	**10,277.5**	**8.94**

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES OR JOINTLY CONTROLLED ENTITIES

Establishment of Joint Venture – P&R Holdings

As previously reported, on 17th March, 2011, a conditional shareholders' agreement was entered into between Capital Merit Investments Limited ("Capital Merit"), a wholly owned subsidiary of the Company, and Regal Hotels Investments Limited ("Regal Investments"), a wholly owned subsidiary of RHIHL, in connection with the establishment of a joint venture company (the "JV Co.") (the "Shareholders' Agreement").

As contemplated under the Shareholders' Agreement, the JV Co. is to be owned by Capital Merit and Regal Investments on a 50:50 basis and treated as a jointly controlled entity of each of the Company and RHIHL. The scope of business of the JV Co. and its subsidiaries (together, the "JV Group") principally includes the development of real estate projects for sale and/or leasing and the doing of such acts, matters and things as may be necessary for or ancillary or incidental to the principal business of the JV Group as aforesaid, and the undertaking of related investment and financing activities. The maximum total capital commitment to the JV Co. is HK$3,800 million, which will be contributed by Capital Merit and Regal Investments in a maximum capital commitment of HK$1,900 million each and on a pro-rata basis in accordance with their respective shareholdings in the JV Co.. The funding requirement by the JV Co. will be in stages and will be contributed in such amount and in such manner as determined by the board of directors of the JV Co.. The maximum capital commitment of the Group to the JV Co. in the amount of HK$1,900 million is expected to be funded by the Group from its internal resources.

As the maximum capital commitment of each of the Group and the RHIHL group to the JV Co. was more than 25% but less than 100% of the applicable percentage ratios, the transaction contemplated under the Shareholders' Agreement (the "Transaction") constituted a major transaction for each of CCIHL, the Company and RHIHL and was subject to reporting, announcement and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). As no shareholder of either CCIHL or the Company was required to abstain from voting, each of CCIHL and the Company obtained a written approval from a closely allied group of their respective shareholders who together hold a majority shareholding interests, in lieu of a general meeting, for the Transaction.

Further, as the Company and Capital Merit are connected persons of RHIHL, the Transaction also constituted a connected transaction for RHIHL under Chapter 14A of the Listing Rules and was subject to the approval of the independent shareholders by way of poll at a special general meeting of RHIHL (the "SGM"). At the SGM held on 28th April, 2011, the Transaction was approved by the independent shareholders of RHIHL. Flourish Lead Investments Limited, which has been renamed as P&R Holdings Limited since 6th March, 2012, was then established as the JV Co. following the Shareholders' Agreement became unconditional on 28th April, 2011.

Relevant details of the transactions under the Shareholders' Agreement were disclosed in the joint announcement dated 17th March, 2011 and the circular dated 8th April, 2011 (the "Circular") of the Company.

Subsequent to its establishment and as was already indicated in the Circular, P&R Holdings acquired from the Group certain property development projects in Hong Kong as the JV Group's starting projects. According to the terms of the Shareholders' Agreement, the acquisitions of these property development projects by P&R Holdings from the Group were supported by independent market valuations and approved by the board of P&R Holdings with the directors nominated by Capital Merit abstaining from voting. These property development projects, which comprise the two development sites located at (i) Nos.132-140 Bonham Strand, Sheung Wan, Hong Kong and (ii) Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong (collectively, the "Sheung Wan Properties"), were disposed to P&R Holdings through the transfer of 100% interests in two wholly owned subsidiaries of the Group to P&R Holdings pursuant to two respective sale and purchase agreements both dated and completed on 6th May, 2011. The considerations were based on the market valuations of the Sheung Wan Properties as stated in the relevant valuation report issued by an independent valuer appointed by P&R Holdings, being HK$455 million and HK$297 million, respectively, and subject to adjustments for other assets and liabilities. The above transactions relating to the Sheung Wan Properties did not constitute notifiable transactions nor connected transactions for each of CCIHL, the Company or RHIHL under the Listing Rules.

Further information relating to these property development projects is mentioned in the section above headed "Business Review" of this MD&A.

Transfer of Interests in a Jointly Controlled Entity of RHIHL and Cosmopolitan to P&R Holdings

As also previously reported, on 30th June, 2011, a sale and purchase agreement was entered into between Faith Crown Holdings Limited ("Faith Crown"), a jointly controlled entity owned as to 50% each by RHIHL and Cosmopolitan, as the vendor and P&R Holdings as the purchaser in relation to the transfer of 70% effective interests in the project for the development of a property complex at Xindu District, Chengdu, Sichuan Province, PRC (the "Chengdu Project"), held through certain wholly owned subsidiaries of Faith Crown, to P&R Holdings, by way of the transfer of 70% interests in each of two relevant wholly owned subsidiaries of Faith Crown (the "Relevant Subsidiaries", and together with their respective wholly owned subsidiaries, the "Subject Group") to P&R Holdings (the "Chengdu Transaction") (the "S&P Agreement").

The consideration (comprising the considerations for the shares of the Relevant Subsidiaries and the loans to the Subject Group (the "Shareholder's Loans")) for the Chengdu Transaction (the "Consideration") was approximately HK$1,048 million, representing the aggregate amount of (i) HK$1,000 million (being 70% of the agreed value of the Chengdu Project, which was determined based on the appraised value of the Chengdu Project of RMB1,350 million as stated in a valuation report from an independent professional valuer jointly appointed by Faith Crown and P&R Holdings (the "Appraised Value") and after applying a discount of approximately 12% on the Appraised Value) and (ii) 70% of the combined consolidated net asset value of the Subject Group (excluding the Chengdu Project and the Shareholder's Loans) as at 31st May, 2011, and subject to adjustments.

The Consideration was adjusted on a dollar-for-dollar basis based on the combined consolidated net asset value of the Subject Group (excluding the Chengdu Project and the Shareholder's Loans) as at 30th June, 2011. The Consideration is payable in cash and by instalments pursuant to the terms of the S&P Agreement. The last instalment will be paid within three years from the date of completion of the Chengdu Transaction, and the payment of the last instalment may be extended to four years if the period to exercise the Put Option (as referred to below) is extended by the Grantee (as also referred to below).

The S&P Agreement was unconditional and the completion of the S&P Agreement took place on 14th July, 2011.

On completion of the S&P Agreement, a put option deed was executed by Faith Crown as the Grantor and one of the Relevant Subsidiaries as the Grantee in relation to the grant of an option (the "Put Option"), exercisable during the period of three years from the date of completion of the S&P Agreement (extendable to four years by the Grantee under certain circumstances), to sell (or procure the sale of) the hotel and commercial podium in the Chengdu Project being constructed to Faith Crown (or the purchaser to be procured by Faith Crown).

The Chengdu Transaction and the grant and possible exercise of the Put Option did not constitute notifiable transactions nor connected transactions for each of CCIHL, the Company or RHIHL under the Listing Rules. Relevant details of the transactions under the S&P Agreement were disclosed in the voluntary joint announcement of the Company dated 30th June, 2011.

Further information relating to the Chengdu Project is mentioned in the section above headed "Business Review" of this MD&A.

Save as disclosed herein, during the year under review, there were no other material acquisitions or disposals of subsidiaries, associates or jointly controlled entities of the Company.

STAFF AND REMUNERATION POLICY

The Group, together with the RHIHL group, employ approximately 2,060 staff in Hong Kong. The Group's management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical and life insurance.

With a view to providing long term incentives, the Company maintains the Share Option Scheme, under which share options had been granted to selected eligible persons.

The Directors have pleasure in presenting their report together with the audited financial statements of the Company and the Group for the year ended 31st December, 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are property development and investment (including through the joint venture in P&R Holdings Limited ("P&R Holdings")), construction and building related businesses and other investments including, in particular, its interests in Regal Hotels International Holdings Limited ("RHIHL"), the listed associate of the Company. RHIHL and its subsidiaries (together, the "RHIHL Group") are engaged in the business activities of hotel ownership through Regal Real Estate Investment Trust ("Regal REIT") (the listed subsidiary of RHIHL), hotel operation and management, asset management of Regal REIT, property development and investment and other investments.

There have been no significant changes in the above activities of the Group during the year.

The turnover and contribution to trading results by each principal activity are set out in note 4 to the financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31st December, 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 43 to 124.

DIVIDENDS

An interim dividend of HK1.8 cents (2010 – HK1.5 cents) and a special interim cash dividend of HK10.0 cents (2010 – Nil), aggregating to HK11.8 cents (2010 – HK1.5 cents), per ordinary share, absorbing a total amount of approximately HK$136.3 million (2010 – HK$15.5 million), were paid to holders of ordinary shares during the year.

The Directors now recommend the payment of a final dividend of HK8.0 cents (2010 – HK7.5 cents) per ordinary share for the year ended 31st December, 2011, absorbing an amount of approximately HK$91.9 million (2010 – HK$84.3 million), payable to holders of ordinary shares on the Register of Ordinary Shareholders on 8th June, 2012. This recommendation has been incorporated in the financial statements.

ANNUAL GENERAL MEETING

The 2012 Annual General Meeting of the Company will be convened to be held on Wednesday, 30th May, 2012. Relevant notice of the Meeting will be contained in the circular of the Company relating to the re-election of Directors and the general mandates to issue and repurchase ordinary shares (the "Circular") to be sent to the shareholders, together with the 2011 Annual Report.

CLOSURE OF REGISTER

The Register of Ordinary Shareholders of the Company will be closed during the following periods, within which no transfers of shares will be effected:

(i) from Monday, 28th May, 2012 to Wednesday, 30th May, 2012, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the 2012 Annual General Meeting. In order to be entitled to attend and vote at the 2012 Annual General Meeting, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch registrar in Hong Kong, Tricor Tengis Limited (the "Branch Registrar"), no later than 4:30 p.m. on Friday, 25th May, 2012; and

(ii) from Wednesday, 6th June, 2012 to Friday, 8th June, 2012, both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Branch Registrar no later than 4:30 p.m. on Tuesday, 5th June, 2012.

The relevant dividend warrants for the aforesaid final dividend are expected to be despatched on or about 22nd June, 2012.

DIRECTORS

The Directors of the Company are:

Mr. Lo Yuk Sui
Mr. Donald Fan Tung
Mr. Bowen Joseph Leung Po Wing, GBS, JP
Mr. Jimmy Lo Chun To
Miss Lo Po Man
Mr. Kenneth Ng Kwai Kai
Mr. Ng Siu Chan
Hon Abraham Shek Lai Him, SBS, JP
Mr. Wong Chi Keung
Mr. Kenneth Wong Po Man

During the year, there have been no changes in Directors of the Company.

In accordance with Bye-law 99 of the Bye-laws of the Company, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai, all being Executive Directors, and Hon Abraham Shek Lai Him, an Independent Non-Executive Director, will retire from office by rotation at the 2012 Annual General Meeting.

All the above retiring Directors, being eligible, have offered themselves for re-election at the 2012 Annual General Meeting. Details of these Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), will be set out in the Circular.

The Company has received from each of the four incumbent Independent Non-Executive Directors an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considers that all of these Independent Non-Executive Directors are independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as otherwise disclosed, none of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party at the end of the reporting period or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiaries during the year.

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the share option scheme of the Company named as "The Paliburg Holdings Limited Share Option Scheme" (the "Paliburg Share Option Scheme") and the share option scheme of Century City International Holdings Limited ("CCIHL"), the ultimate listed holding company of the Company, named as "The Century City International Holdings Limited Share Option Scheme" (the "Century Share Option Scheme") (together, the "Schemes"), under which options had been granted to certain Directors.

During the year, Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai and Mr. Kenneth Wong Po Man exercised all of the outstanding options granted to them under the Paliburg Share Option Scheme to subscribe for shares of the Company. All of the options that were granted to a Director under the Century Share Option Scheme had lapsed on expiry of their exercise period during the year.

Save as disclosed above, during the year, no option was granted to any Directors under the Schemes, and none of the Directors exercised options to subscribe for shares under the Schemes.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) of the Company, which (a) are as recorded in the register required to be kept under section 352 of the SFO; or (b) are as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

				Number of shares held			
	The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2011)
1.	**The Company**	Mr. Lo Yuk Sui	Ordinary (issued)	82,014,014	739,970,803 (Note b)	15,000	821,999,817 (71.50%)
		Mr. Donald Fan Tung	Ordinary (issued)	556	–	–	556 (0.000%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	2,274,600	–	–	2,274,600 (0.20%)
		Miss Lo Po Man	Ordinary (issued)	1,116,000	–	–	1,116,000 (0.10%)
		Mr. Kenneth Ng Kwai Kai	Ordinary (issued)	176,200	–	–	176,200 (0.02%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	80,474	80,474 (0.007%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	6,200	–	–	6,200 (0.001%)
2.	CCIHL	Mr. Lo Yuk Sui	Ordinary (issued)	63,603,396	1,769,164,691 (Note a)	380,683	1,833,148,770 (56.64%)
		Mr. Jimmy Lo Chun To	Ordinary (issued)	251,735	–	–	251,735 (0.008%)
		Miss Lo Po Man	Ordinary (issued)	112,298	–	–	112,298 (0.003%)
		Mr. Ng Siu Chan	Ordinary (issued)	–	–	3,521,973	3,521,973 (0.11%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)

	The Company/ Name of Associated Corporation	Name of Director	Class of shares held	Number of shares held: Personal interests	Corporate interests	Family/Other interests	Total (Approximate percentage of the issued shares as at 31st December, 2011)
3.	RHIHL	Mr. Lo Yuk Sui	Ordinary (issued)	24,200	494,835,261 (Note c)	260,700	495,120,161 (49.44%)
		Miss Lo Po Man	Ordinary (issued)	300,000	–	269,169 (Note d)	569,169 (0.06%)
		Mr. Kenneth Wong Po Man	Ordinary (issued)	200	–	–	200 (0.000%)
4.	8D International (BVI) Limited	Mr. Lo Yuk Sui	Ordinary (issued)	–	1,000 (Note e)	–	1,000 (100%)

Notes:

(a) The interests in 1,769,164,691 issued ordinary shares of CCIHL were held through companies wholly owned by Mr. Lo Yuk Sui ("Mr. Lo") and a company, namely Master City Limited, 99.9% owned by Mr. Lo.

(b) The interests in 693,234,547 issued ordinary shares of the Company were held through companies wholly owned by CCIHL, in which Mr. Lo held 56.63% shareholding interests.

The interests in 16,271,685 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00

The interests in 30,464,571 issued ordinary shares of the Company were held through corporations controlled by Mr. Lo as detailed below:

Name of corporation	Controlled by	% of control
Wealth Master International Limited	Mr. Lo	90.00
Select Wise Holdings Limited	Wealth Master International Limited	100.00
Splendid All Holdings Limited	Select Wise Holdings Limited	100.00

(c) The interests in 421,400 issued ordinary shares of RHIHL were held through companies wholly owned by CCIHL, in which Mr. Lo held 56.63% shareholding interests, and the interests in the other 494,413,861 issued ordinary shares of RHIHL were held through companies wholly owned by the Company, in which CCIHL held 60.30% shareholding interests.

(d) The interests in 269,169 issued ordinary shares of RHIHL were held by Miss Lo Po Man as the beneficiary of a trust.

(e) 400 shares were held through companies controlled by CCIHL, in which Mr. Lo held 56.63% shareholding interests, and 600 shares were held through a company controlled by Mr. Lo.

Save as disclosed herein, as at 31st December, 2011, none of the Directors and chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) of the Company, which (a) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (b) are required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Save as disclosed in note 30 to the financial statements, during the year, no right has been granted to, or exercised by, the following persons to subscribe for shares in or debentures of the Company under the Paliburg Share Option Scheme, and no option granted to such persons under the Paliburg Share Option Scheme has been cancelled and lapsed:

(i) any Director, chief executive or substantial shareholders of the Company, or their respective associates;

(ii) any participant under the Paliburg Share Option Scheme with options granted in excess of the individual limit;

(iii) any employee working under employment contract that is regarded as "continuous contract" for the purpose of the Employment Ordinance;

(iv) any supplier of goods or services; and

(v) any other participants under the Paliburg Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31st December, 2011, so far as is known to the Directors and the chief executive of the Company, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO:

Name of substantial shareholder	Number of issued ordinary shares held	Number of underlying ordinary shares (unissued) held	Total number of ordinary shares (issued and unissued) held	Approximate percentage of issued ordinary shares as at 31st December, 2011
CCIHL (Note i)	693,234,547	–	693,234,547	60.30%
Century City BVI Holdings Limited ("CCBVI") (Note ii)	693,234,547	–	693,234,547	60.30%
Almighty International Limited ("Almighty") (Note ii)	346,104,526	–	346,104,526	30.11%
Cleverview Investments Limited ("Cleverview") (Note ii)	180,811,470	–	180,811,470	15.73%

Notes:

(i) Mr. Lo Yuk Sui directly and indirectly held 56.63% shareholding interests in CCIHL, and the interests in these ordinary shares of the Company held by CCIHL through its wholly owned subsidiaries were included in the corporate interests of Mr. Lo Yuk Sui in the ordinary shares of the Company as disclosed under the section headed "Directors' Interests in Share Capital" above.

(ii) These companies are wholly owned subsidiaries of CCIHL and their interests in the ordinary shares of the Company were included in the interests held by CCIHL.

Save as disclosed herein, the Directors and the chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who, as at 31st December, 2011, had an interest or short position in the shares and underlying shares of the Company which are recorded in the register required to be kept under section 336 of the SFO or notified to the Company pursuant to the SFO.

Details of directorships of the Company's Directors in each of those companies which has an interest in the shares and underlying shares of the Company as disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO are set out as follows:

(1) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man, Mr. Kenneth Ng Kwai Kai, Mr. Ng Siu Chan and Mr. Wong Chi Keung are directors of CCIHL.

(2) Mr. Lo Yuk Sui, Mr. Donald Fan Tung, Mr. Jimmy Lo Chun To, Miss Lo Po Man and Mr. Kenneth Ng Kwai Kai are directors of CCBVI, Almighty and Cleverview.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30th June, 2011 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	**Details of changes**
Executive Directors:	
Mr. Lo Yuk Sui	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$215,250 commencing from January 2012. (Notes)
Mr. Donald Fan Tung	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$85,800 commencing from January 2012. (Notes)
	• Resigned as a non-executive director of KH Investment Holdings Limited ("KH Investment"), a company listed on the Growth Enterprise Market of the Stock Exchange, with effect from 5th March, 2012.
Mr. Jimmy Lo Chun To	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$81,900 commencing from January 2012. (Notes)
Miss Lo Po Man	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$11,700 commencing from January 2012. (Notes)
Mr. Kenneth Ng Kwai Kai	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$40,000 commencing from January 2012. (Notes)
	• Resigned as an executive director of KH Investment with effect from 5th March, 2012.
Mr. Kenneth Wong Po Man	• Entitled to an allocated monthly salary, based on services rendered to the Group, in an amount of HK$117,000 commencing from January 2012. (Notes)
Independent Non-Executive Director:	
Hon Abraham Shek Lai Him, SBS, JP	• Appointed as a Member of the Council of The University of Hong Kong with effect from 23rd November, 2011.

Notes:

(i) Each Executive Director is also entitled to performance based discretionary bonus and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in the amount of HK$100,000 per annum in acting as a Director of the Company.

(ii) Details of the remunerations of the Executive Directors for the year ended 31st December, 2011 are disclosed in note 9 to the financial statements.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

DISCLOSURE PURSUANT TO RULES 13.20 AND 13.22 OF CHAPTER 13 OF THE LISTING RULES

The following disclosure is made by the Company in compliance with the continuing disclosure requirements under Rules 13.20 and 13.22 of Chapter 13 of the Listing Rules relating to the information required to be disclosed under Rules 13.13 and 13.16:

Advances to an Entity (Rule 13.13 of Chapter 13)

Details of the advances made to P&R Holdings (formerly known as Flourish Lead Investments Limited) (a jointly controlled entity owned as to 50% each by the Company and RHIHL) by the Group (comprising the Company and its subsidiaries) as at 31st December, 2011 are set out below:

Advances	**Group (HK$'million)**
(A) Principal Amount of Advances	970.0
(B) Interest Receivable	–
(C) Several Guarantee for:	
(a) Principal Amount of Banking Facilities	170.0
(b) Amount of Banking Facilities Drawdown	90.0
Total: (A)+(B)+(C)(a)	1,140.0
(A)+(B)+(C)(b)	1,060.0

P&R Holdings principally engages in the development of real estate projects for sale and/or leasing. Since its establishment as a jointly controlled entity of the Company and RHIHL in April 2011, P&R Holdings has acquired interests in a number of property development projects in Hong Kong and Mainland China. Information relating to the investment of P&R Holdings in such property development projects are disclosed in the section headed "Business Review" in the preceding Management Discussion and Analysis ("MD&A"). The maximum total capital commitment to P&R Holdings is HK$3,800 million, which is to be contributed on a pro-rata basis in accordance with the respective shareholdings of the Company and RHIHL in P&R Holdings, and the maximum capital commitment for each of the Company and RHIHL is HK$1,900 million.

The above advances to P&R Holdings were provided by a wholly owned subsidiary of the Company in the form of shareholders' loan in proportion to its shareholding interest in P&R Holdings. The advances to P&R Holdings are unsecured, interest-free and have no fixed term of repayment.

The above guarantee was provided by the Company on a several basis in proportion to its shareholding interests in P&R Holdings and was given in respect of the bank loan facilities of HK$340.0 million made available to a wholly owned subsidiary of P&R Holdings for the purposes of re-financing part of the consideration for the acquisition of the development site at Nos.132-140 Bonham Strand, Sheung Wan, Hong Kong (the "Sheung Wan site") and financing the estimated construction costs required for the hotel development at the Sheung Wan site.

Calculated on the basis shown above, the aggregate of advances and other financial assistance as at 31st December, 2011 provided by the Group to P&R Holdings in the respective sums of (a) HK$1,140.0 million (based on the total available amount of the banking facilities) and (b) HK$1,060.0 million (based on the total amount of banking facilities drawdown) represented (a) 12.6% and (b) 11.7% of the consolidated total assets of the Group of HK$9,071.8 million (the "Paliburg TA"), calculated by reference to its latest audited consolidated financial statements for the year ended 31st December, 2011.

Financial Assistance provided to and Guarantees given for Affiliated Companies (Rule 13.16 of Chapter 13)

Details of the financial assistance provided to affiliated companies by the Group as at 31st December, 2011 are set out below:

Name of Affiliated Companies		Principal Amount of Advances (HK$'million)	Interest Receivable (HK$'million)	Guarantee given for Banking Facilities (i) Principal Amount of Banking Facilities (HK$'million)	Guarantee given for Banking Facilities (ii) Amount of Banking Facilities Drawdown (HK$'million)
Hang Fok Properties Limited	(A)	276.1	–	Nil	Nil
P&R Holdings	(B)	970.0	–	(C)(i) 170.0	(C)(ii) 90.0
				Total : (A)+(B)+(C)(i)	1,416.1
				(A)+(B)+(C)(ii)	1,336.1

Hang Fok Properties Limited ("Hang Fok"), a 50% owned associate of the Company, holds certain shareholding interests in two investee companies (the "Investee Companies"), which were established as Sino-foreign cooperative joint ventures in the PRC and principally engaged in the development project of a property complex at Chao Yang Men Wai Da Jie in the Central Business District of Beijing, PRC. The remaining 50% shareholding interest in Hang Fok is indirectly held by RHIHL. The advances to Hang Fok were provided by the Group in the form of shareholder's loans in proportion to the Company's shareholding interest in Hang Fok, for the purpose of funding the working capital requirements of Hang Fok and its investment in the Investee Companies. The advances to Hang Fok are unsecured, interest-free and have no fixed term of repayment. Further information relating to the investment in Hang Fok is disclosed in the section headed "Business Review" in the preceding MD&A.

Relevant details in respect of the financial assistance provided to P&R Holdings are disclosed above under Rule 13.13 of Chapter 13 of the Listing Rules.

Calculated on the basis shown above, as at 31st December, 2011, the aggregate amount of financial assistance provided to and bank guarantees given for affiliated companies by the Group in the respective sums of (a) HK$1,416.1 million (based on the total available amount of the banking facilities) and (b) HK$1,336.1 million (based on the total amount of banking facilities drawdown) represented (a) 15.6% and (b) 14.7% of the Paliburg TA.

Save as disclosed above, there were no other financial assistance provided to or guarantees given for affiliated companies by the Group as at 31st December, 2011, which were discloseable pursuant to Rule 13.16 of Chapter 13 of the Listing Rules.

A combined statement of financial position of the abovenamed affiliated companies and the Group's attributable interest in these affiliated companies are presented below:

	Combined statement of financial position (HK$'million)	**The Group's attributable interest (HK$'million)**
Non-current assets	3,601.6	1,800.8
Current assets	76.6	38.3
Current liabilities	(269.1)	(134.6)
Non-current liabilities	(3,480.4)	(1,740.2)
	(71.3)	(35.7)
Non-controlling interests	(371.3)	(185.6)
Net liabilities after non-controlling interests	(442.6)	(221.3)

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

During the year ended 31st December, 2011, the Company repurchased a total of 5,782,000 ordinary shares of the Company at an aggregate purchase price of HK$13,338,540 on the Stock Exchange. Details of the repurchases of such ordinary shares were as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per ordinary share Highest (HK$)	Price per ordinary share Lowest (HK$)	Aggregate purchase price (HK$)
October 2011	1,588,000	2.470	2.210	3,708,480
November 2011	2,516,000	2.470	2.230	5,899,760
December 2011	1,678,000	2.300	2.130	3,730,300
Total	5,782,000			13,338,540
			Total expenses on shares repurchased	50,536
			Total	13,389,076

Out of the 5,782,000 repurchased ordinary shares, 5,478,000 repurchased ordinary shares were cancelled during the year, and the remaining 304,000 repurchased ordinary shares were cancelled subsequent to the year end date. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The above repurchases were effected by the Directors pursuant to the mandate from shareholders, with a view to benefiting shareholders as a whole in enhancing the net assets and earnings per share of the Company.

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist in Bermuda being the jurisdiction in which the Company is incorporated.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of purchases attributable to the Group's 5 largest suppliers combined in respect of goods and services was less than 30% of the total amount involved.

During the year, 86.22% of the Group's total revenue was attributable to the largest customer of the Group in respect of goods and services, which was a jointly controlled entity of the Group, and 96.15% of the Group's total revenue was attributable to the 5 largest customers of the Group combined in respect of goods and services. Amongst the 5 largest customers, two of them were respectively the listed associate and the jointly controlled entity of the Group.

Save as disclosed, 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 largest customers.

Further relevant information about major customers is set out in note 4 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

The details of movements in investment properties during the year are set out in note 16 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

The details of movements in the share capital and share options of the Company, together with reasons therefor, during the year are set out in note 30 to the financial statements.

SHARE PREMIUM ACCOUNT

The details of movements in the share premium account during the year are set out in note 30 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 32 to the financial statements.

A JOINTLY CONTROLLED ENTITY AND ASSOCIATES

Particulars of the Group's investments in its jointly controlled entity and associates are set out in notes 17 and 18 to the financial statements, respectively.

RESERVES

The details of movements in the reserves of the Company and the Group during the year are set out in note 31(b) to the financial statements and in the consolidated statement of changes in equity of the financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31st December, 2011, the Company's reserves available for distribution calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK$1,974.0 million, of which HK$91.9 million has been proposed as final dividend for the year.

The Company's share premium may be distributed in the form of fully paid bonus shares.

INTEREST CAPITALISED

No interest expense was capitalised during the year in respect of the Group's property development projects.

AUDITORS

Ernst & Young retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

LO YUK SUI

Chairman

Hong Kong
21st March, 2012

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the year ended 31st December, 2011.

The Company is committed to maintaining good corporate governance practices and procedures. Review of existing policies and practices in respect of the management and corporate matters of the Group has been conducted by the Company. Enhancement to the current standards for complying with new requirements, revision of the existing policies and practices and introduction of appropriate new measures have been implemented. Periodic review of the system and controls within the Group will be carried out by the Company to comply with the prevailing standards and requirements of good corporate governance.

(I) CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code Provisions in the Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") during the year ended 31st December, 2011, except that:

(1) The roles of the Chairman and Chief Executive Officer are not separated and performed by two different individuals due to practical necessity to cater to the Group's corporate operating structure.

(2) The Independent Non-Executive Directors of the Company were not appointed for specific terms, but in accordance with the provisions of the Bye-laws of the Company, all Directors (including the Independent Non-Executive Directors) of the Company are subject to retirement by rotation at least once every three years, and the retiring Directors are eligible for re-election.

(II) BOARD OF DIRECTORS

The Board currently comprises the following members:

Executive Directors:

Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*
Mr. Donald Fan Tung *(Chief Operating Officer)*
Mr. Jimmy Lo Chun To
Miss Lo Po Man
Mr. Kenneth Ng Kwai Kai
Mr. Kenneth Wong Po Man

Independent Non-Executive Directors:

Mr. Bowen Joseph Leung Po Wing, GBS, JP
Mr. Ng Siu Chan
Hon Abraham Shek Lai Him, SBS, JP
Mr. Wong Chi Keung

The personal and biographical details of the Directors, including the relationship among them, are disclosed in the preceding section headed "Directors' Profiles" contained in this Annual Report.

During the year ended 31st December, 2011, the Company has fully complied with Rules 3.10(1) and (2) of the Listing Rules regarding the number of Independent Non-Executive Directors and the requirement that at least one of these Directors must have appropriate professional qualifications.

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 considers that all Independent Non-Executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

The Board conducts regular meetings to discuss and decide on major corporate, strategic, business and operational issues. Appropriate and sufficient information is provided to Board members in a timely manner in order to enable them to discharging their duties.

In year 2011, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	**Attendance**
Executive Directors	
Mr. Lo Yuk Sui *(Chairman and Chief Executive Officer)*	7/7
Mr. Donald Fan Tung *(Chief Operating Officer)*	7/7
Mr. Jimmy Lo Chun To	6/7
Miss Lo Po Man	7/7
Mr. Kenneth Ng Kwai Kai	7/7
Mr. Kenneth Wong Po Man	7/7
Independent Non-Executive Directors	
Mr. Bowen Joseph Leung Po Wing, GBS, JP	7/7
Mr. Ng Siu Chan	7/7
Hon Abraham Shek Lai Him, SBS, JP	6/7
Mr. Wong Chi Keung	7/7

(III) BOARD COMMITTEES

There are two board committees, namely the Audit Committee and the Remuneration Committee, established by the Board for overseeing certain functions delegated by the Board.

(a) Audit Committee

The Audit Committee was established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee currently comprises the following members:

Independent Non-Executive Directors:

Mr. Wong Chi Keung *(Chairman of the Committee)*
Mr. Bowen Joseph Leung Po Wing, GBS, JP *(Member)*
Mr. Ng Siu Chan *(Member)*
Hon Abraham Shek Lai Him, SBS, JP *(Member)*

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim and final financial statements.

As both the Board and the Audit Committee recommended to re-appoint the current external Auditors, Messrs. Ernst & Young, no circumstances exist as would require an explanation from the Audit Committee as to why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditors.

In year 2011, the Audit Committee met twice and the meetings were attended by the external Auditors of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

Name of Audit Committee members	Attendance
Mr. Wong Chi Keung *(Chairman of the Committee)*	2/2
Mr. Bowen Joseph Leung Po Wing, GBS, JP	2/2
Mr. Ng Siu Chan	2/2
Hon Abraham Shek Lai Him, SBS, JP	2/2

The existing terms of reference of the Audit Committee will be revised to comply with relevant amendments to the CG Code which will take effect on 1st April, 2012. The revised terms of reference of the Audit Committee will be published on the websites of the Company and the Stock Exchange before end of March 2012.

(b) Remuneration Committee

The Remuneration Committee was established with specific written terms of reference that deal with its authority and duties. The terms of reference of the Remuneration Committee are available on the Company's website. The principal responsibilities of the Remuneration Committee are to review the remuneration of individual Directors and senior management and to make recommendations to the Board on the policy and structure for the determination of the remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy of the Company on such matters.

During the year and as at the date of this report, the Remuneration Committee comprises the following members:

Executive Director:

Mr. LO Yuk Sui *(Chairman of the Committee)*

Independent Non-Executive Directors:

Mr. NG Siu Chan *(Member)*
Mr. WONG Chi Keung *(Member)*

Mr. Kenneth NG Kwai Kai, an Executive Director of the Company, has acted as the Secretary of the Committee.

In year 2011, the Remuneration Committee met once and has reviewed the Company's policy and structure for the remuneration of Directors and senior management. The attendance rates of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	**Attendance**
Mr. Lo Yuk Sui *(Chairman of the Committee)*	1/1
Mr. Ng Siu Chan	1/1
Mr. Wong Chi Keung	1/1

The existing terms of reference of the Remuneration Committee will be revised to comply with the relevant amendments to the CG Code which will take effect on 1st April, 2012, and the composition of the Remuneration Committee, in particular that the chairman of the Remuneration Committee shall be an Independent Non-Executive Director of the Company, will be changed to accord with the revised terms of reference. The revised terms of reference of the Remuneration Committee will be published on the websites of the Company and the Stock Exchange before end of March 2012.

(c) Nomination of Directors

During the year, the Company did not have a nomination committee, and the Board was responsible for the procedure of selecting and appointing Directors of the Company.

In compliance with the relevant amendments to the CG Code which will take effect on 1st April, 2012, a nomination committee (the "Nomination Committee") will be established with specific terms of reference by the Board for the purpose of making recommendations to the Board in relation to the nomination and appointment of Directors, with a view to ensuring fairness and transparency in the nomination and selection procedures. The terms of reference of the Nomination Committee adopted by the Board will be published on the websites of the Company and the Stock Exchange before end of March 2012.

(IV) DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the financial statements of the Group, which give a true and fair view of the state of affairs of the Group, and ensuring that appropriate accounting policies are selected and applied consistently and that the financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standards. The Directors will also ensure that the financial statements are published in a timely manner.

The statement by the external Auditors, Messrs. Ernst & Young, about their reporting responsibilities is set out in the Independent Auditors' Report contained in this Annual Report.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(V) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Code for Securities Transactions by Directors of Paliburg Holdings Limited" (the "Paliburg Code"), on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), as the code of conduct governing the securities transactions by the Directors of the Company.

Following specific enquiry by the Company, the Directors have confirmed that they have complied with the Model Code and the Paliburg Code during the year ended 31st December, 2011.

(VI) INTERNAL CONTROL

The Board has conducted a review of effectiveness of the system of internal controls of the Group during the year, including financial, operational and compliance controls and risk management functions with a view to safeguarding the shareholders' investment and the Company's assets.

Management of the Company has put into effect a set of corporate policies and procedures for the principal business operations of the Group, with an objective to achieving a sound internal control system. Separate meetings participated by Executive Directors, Group Financial Controller and related division heads are held regularly to review the effectiveness of the internal control system, to identify any significant control failings or weaknesses, and also to review the need for any control improvements or updating to respond to changes in the business and external environment. While the regular monitoring of the internal control mechanisms is mainly conducted by the delegated Executive Directors and senior management staff members, support and advice from external consultants and professionals are sought as and when required.

The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. Accordingly, while periodic committee meetings are held with the delegated Executive Directors and senior management staff members, clear instructions have been provided to management of the Company that any material issues relating to the internal control system, particularly any incidence of significant control failings or weaknesses that has had, or might have, a material impact on the business of the Group is to be reported to the Board and the Audit Committee of the Company on a timely basis.

(VII) AUDITORS' REMUNERATION

Messrs. Ernst & Young have been re-appointed as the external auditors of the Company at the 2011 Annual General Meeting until the conclusion of the forthcoming 2012 Annual General Meeting.

The remuneration to Messrs. Ernst & Young, the auditors of the Company, in respect of the audit and non-audit services rendered for the year ended 31st December, 2011 were HK$1.3 million (2010 – HK$1.1 million) and HK$0.4 million (2010 – HK$0.2 million), respectively. The significant non-audit services covered by these fees are as follows:

Nature of services	**Fees paid (HK$'million)**
(1) Interim review of the financial statements of the Group for the six months ended 30th June, 2011	0.3
(2) Compliance and other services to the Group	0.1

Consolidated Income Statement

For the year ended 31st December, 2011

	Notes	2011 HK$'million	2010 HK$'million
REVENUE	5	**436.1**	120.0
Cost of sales		**(354.3)**	(116.0)
Gross profit		**81.8**	4.0
Other income and gains	5	**79.0**	4.3
Fair value gains on investment properties		**–**	0.1
Fair value gains/(losses), net, on financial assets at fair value through profit or loss		**(673.3)**	468.3
Administrative expenses		**(35.4)**	(32.6)
Other operating expenses, net	6	**(14.0)**	(2.2)
OPERATING PROFIT/(LOSS)		**(561.9)**	441.9
Finance costs	8	**(0.9)**	(0.1)
Share of profits and losses of:			
A jointly controlled entity		**41.4**	–
Associates		**2,005.9**	1,709.3
PROFIT BEFORE TAX	7	**1,484.5**	2,151.1
Income tax	11	**(0.4)**	(0.6)
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS		**1,484.1**	2,150.5
Attributable to:			
Equity holders of the parent	12	**1,484.2**	2,150.5
Non-controlling interests		**(0.1)**	–
		1,484.1	2,150.5
EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	14		
Basic		**HK$1.30**	HK$2.07
Diluted		**HK$1.29**	HK$2.00

Details of the dividends paid and proposed for the year are disclosed in note 13 to the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2011

	2011 HK$'million	2010 HK$'million
PROFIT FOR THE YEAR BEFORE ALLOCATION BETWEEN EQUITY HOLDERS OF THE PARENT AND NON-CONTROLLING INTERESTS	**1,484.1**	2,150.5
OTHER COMPREHENSIVE INCOME/(LOSS)		
Changes in fair value of available-for-sale investments	**(0.5)**	–
Exchange differences on translating foreign operations	**4.5**	2.4
Share of other comprehensive income/(loss) of:		
A jointly controlled entity	**5.2**	–
Associates	**(57.6)**	130.7
Other comprehensive income/(loss) for the year	**(48.4)**	133.1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,435.7**	2,283.6
Attributable to:		
Equity holders of the parent	**1,435.8**	2,283.6
Non-controlling interests	**(0.1)**	–
	1,435.7	2,283.6

Consolidated Statement of Financial Position

As at 31st December, 2011

	Notes	2011 HK$'million	2010 HK$'million
NON-CURRENT ASSETS			
Property, plant and equipment	15	**1.7**	1.6
Investment properties	16	**0.2**	0.5
Investment in a jointly controlled entity	17	**940.9**	–
Investments in associates	18	**6,043.3**	6,075.0
Available-for-sale investments	19	**3.6**	–
Financial assets at fair value through profit or loss	20	**348.3**	957.1
Loans receivable	22	**3.0**	3.2
Deposits for purchase of properties		**–**	42.6
Total non-current assets		**7,341.0**	7,080.0
CURRENT ASSETS			
Financial assets at fair value through profit or loss	20	**112.2**	213.9
Held-to-maturity investment	21	**36.7**	–
Properties held for sale		**6.0**	6.0
Inventories	23	**9.4**	4.1
Debtors, deposits and prepayments	24, 27	**88.3**	82.9
Time deposits		**1,317.6**	219.9
Cash and bank balances		**160.6**	197.2
		1,730.8	724.0
Asset of a disposal group classified as held for sale	25	**–**	249.4
Total current assets		**1,730.8**	973.4
CURRENT LIABILITIES			
Creditors and accruals	26, 27	**(38.1)**	(49.9)
Tax payable		**(3.7)**	(3.6)
Deposits received	25	**(0.2)**	(217.0)
Interest bearing bank borrowings	28	**(83.0)**	–
		(125.0)	(270.5)
Liability directly associated with the asset of a disposal group classified as held for sale	25	**–**	(98.9)
Total current liabilities		**(125.0)**	(369.4)
NET CURRENT ASSETS		**1,605.8**	604.0
Net assets		**8,946.8**	7,684.0

	Notes	2011 HK$'million	2010 HK$'million
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	30	**114.9**	112.4
Reserves	31(a)	**8,739.1**	7,487.1
Proposed final dividend	13	**91.9**	84.3
		8,945.9	7,683.8
Non-controlling interests		**0.9**	0.2
Total equity		**8,946.8**	7,684.0

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2011

		Attributable to equity holders of the parent													
	Notes	Issued capital HK$'m	Share premium account HK$'m	Share option reserve HK$'m	Capital redemption reserve HK$'m	Capital reserve HK$'m	Special reserve HK$'m	Assets revaluation reserve HK$'m	Hedge reserve HK$'m	Exchange equalisation reserve HK$'m	Retained profits HK$'m	Proposed final dividend HK$'m	Total HK$'m	Non-controlling interests HK$'m	Total equity HK$'m
At 1st January, 2010		101.9	1,173.7	29.1	–	–	689.6	663.6	(68.7)	130.5	2,471.4	33.6	5,224.7	0.2	5,224.9
Profit for the year		–	–	–	–	–	–	–	–	–	2,150.5	–	2,150.5	–	2,150.5
Other comprehensive income for the year:															
Exchange differences on translating foreign operations		–	–	–	–	–	–	–	–	2.4	–	–	2.4	–	2.4
Share of other comprehensive income of associates		–	–	–	–	–	–	–	85.3	45.4	–	–	130.7	–	130.7
Total comprehensive income for the year		–	–	–	–	–	–	–	85.3	47.8	2,150.5	–	2,283.6	–	2,283.6
Issue of new shares upon exercise of warrants	30(i)	10.7	213.7	–	–	–	–	–	–	–	–	–	224.4	–	224.4
Repurchase and cancellation of ordinary shares	30(ii)	(0.2)	(5.8)	–	0.2	–	–	–	–	–	(0.2)	–	(6.0)	–	(6.0)
Repurchase and cancellation of warrants	30	–	(1.8)	–	–	–	–	–	–	–	–	–	(1.8)	–	(1.8)
Final 2009 dividend declared		–	–	–	–	–	–	–	–	–	–	(33.6)	(33.6)	–	(33.6)
Equity-settled share option arrangements		–	–	0.3	–	–	–	–	–	–	–	–	0.3	–	0.3
Share of the listed associate		–	–	0.6	–	7.1	–	–	–	–	–	–	7.7	–	7.7
Interim 2010 dividend	13	–	–	–	–	–	–	–	–	–	(15.5)	–	(15.5)	–	(15.5)
Proposed final 2010 dividend	13	–	–	–	–	–	–	–	–	–	(84.3)	84.3	–	–	–
At 31st December, 2010		112.4	1,379.8	30.0	0.2	7.1	689.6	663.6	16.6	178.3	4,521.9	84.3	7,683.8	0.2	7,684.0

	Notes	Issued capital HK$'m	Share premium account HK$'m	Share option reserve HK$'m	Capital redemption reserve HK$'m	Capital reserve HK$'m	Special reserve HK$'m	Assets revaluation reserve HK$'m	Available-for-sale investment revaluation reserve HK$'m	Hedge reserve HK$'m	Exchange equalisation reserve HK$'m	Retained profits HK$'m	Proposed final dividend HK$'m	Total HK$'m	Non-controlling interests HK$'m	Total equity HK$'m
		Attributable to equity holders of the parent														
At 1st January, 2011		112.4	1,379.8	30.0	0.2	7.1	689.6	663.6	–	16.6	178.3	4,521.9	84.3	7,683.8	0.2	7,684.0
Profit for the year		–	–	–	–	–	–	–	–	–	–	1,484.2	–	1,484.2	(0.1)	1,484.1
Other comprehensive income for the year:																
Changes in fair value of available-for-sale investments		–	–	–	–	–	–	–	(0.5)	–	–	–	–	(0.5)	–	(0.5)
Exchange differences on translating foreign operations		–	–	–	–	–	–	–	–	–	4.5	–	–	4.5	–	4.5
Share of other comprehensive income/(loss) of:																
A jointly controlled entity		–	–	–	–	–	–	–	–	–	5.2	–	–	5.2	–	5.2
Associates		–	–	–	–	–	–	–	(0.9)	39.3	(96.0)	–	–	(57.6)	–	(57.6)
Total comprehensive income for the year		–	–	–	–	–	–	–	(1.4)	39.3	(86.3)	1,484.2	–	1,435.8	(0.1)	1,435.7
Issue of new shares upon exercise of share options	30(iii)	3.1	67.2	(9.5)	–	–	–	–	–	–	–	–	–	60.8	–	60.8
Repurchase and cancellation of ordinary shares	30(iv)	(0.6)	(12.8)	–	0.6	–	–	–	–	–	–	(0.6)	–	(13.4)	–	(13.4)
Contribution from a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	–	–	–	0.8	0.8
Final 2010 dividend declared		–	–	–	–	–	–	–	–	–	–	(1.9)	(84.3)	(86.2)	–	(86.2)
Share of the listed associate		–	–	(20.5)	–	1.4	–	–	–	–	–	20.5	–	1.4	–	1.4
Interim 2011 dividend	13	–	–	–	–	–	–	–	–	–	–	(136.3)	–	(136.3)	–	(136.3)
Proposed final 2011 dividend	13	–	–	–	–	–	–	–	–	–	–	(91.9)	91.9	–	–	–
At 31st December, 2011		114.9	1,434.2	–	0.8	8.5	689.6	663.6	(1.4)	55.9	92.0	5,795.9	91.9	8,945.9	0.9	8,946.8

Consolidated Statement of Cash Flows

For the year ended 31st December, 2011

	Notes	2011 HK$'million	2010 HK$'million
Net cash flows from/(used in) operating activities	33(a)	**104.8**	(184.2)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of additional interests in the listed associate		**–**	(7.8)
Disposal of an associate		**0.4**	90.1
Purchases of available-for-sale investments		**(4.1)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**59.4**	–
Purchase of held-to-maturity investment		**(36.7)**	–
Decrease in loans receivable		**0.7**	4.7
Deposits paid		**–**	(42.6)
Net proceeds from disposal of an investment property		**0.5**	–
Purchases of items of property, plant and equipment		**(0.7)**	(0.5)
Advance to a jointly controlled entity		**(970.0)**	–
Advance to an associate		**(17.7)**	–
Repayment from an associate		**155.2**	31.5
Interest received		**12.4**	3.9
Dividends received from listed and unlisted investments		**1,848.9**	47.1
Net cash flows from investing activities		**1,048.3**	126.4
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of warrants		**–**	224.4
Proceeds from issue of shares upon exercise of share options		**60.8**	–
Repurchase and cancellation of ordinary shares		**(13.4)**	(6.0)
Repurchase and cancellation of warrants		**–**	(1.8)
Drawdown of new bank loans		**83.0**	–
Payment of loan and other costs		**(4.0)**	(0.1)
Interest paid		**(0.5)**	–
Dividend paid		**(222.5)**	(49.1)
Net cash flows from/(used in) financing activities		**(96.6)**	167.4
Net increase in cash and cash equivalents		**1,056.5**	109.6
Cash and cash equivalents at beginning of year		**417.1**	305.1
Effect of foreign exchange rate changes, net		**4.6**	2.4
Cash and cash equivalents at end of year		**1,478.2**	417.1
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**160.6**	197.2
Non-pledged time deposits with original maturity of less than three months when acquired		**1,317.6**	219.9
		1,478.2	417.1

Statement of Financial Position

As at 31st December, 2011

	Notes	2011 HK$'million	2010 HK$'million
NON-CURRENT ASSETS			
Investments in subsidiaries	32	**3,525.9**	3,703.4
CURRENT ASSETS			
Deposits and prepayments		**0.4**	0.4
CURRENT LIABILITIES			
Creditors and accruals		**(2.4)**	(1.7)
NET CURRENT LIABILITIES		**(2.0)**	(1.3)
Net assets		**3,523.9**	3,702.1
EQUITY			
Issued capital	30	**114.9**	112.4
Reserves	31(b)	**3,317.1**	3,505.4
Proposed final dividend	13	**91.9**	84.3
Total equity		**3,523.9**	3,702.1

KENNETH NG KWAI KAI
Director

LO YUK SUI
Director

1. CORPORATE INFORMATION

During the year, the Company and its subsidiaries (collectively referred to as the "Group") was principally engaged in property development and investment, construction and building related businesses, and other investments.

In the opinion of the Directors, the parent and the ultimate holding company of the Group is Century City International Holdings Limited ("CCIHL"), which was incorporated in Bermuda and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale investments and financial assets at fair value through profit or loss, which have been measured at fair value. A disposal group classified as held for sale was stated at the lower of its carrying amount and fair value less costs to sell in the prior year as further explained in note 2.4(h). These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

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

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

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

The principal effects of adopting these 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 34 to the consolidated 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:

- 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.

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

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

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

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

The Group is in the process of making an assessment of the financial impacts on the application of the below issued but not yet effective HKFRSs.

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.

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

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

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

HKFRS 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.

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 1st 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 1st 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 1st January, 2013.

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 1st January, 2013.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31st December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(b) 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 that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Upon the disposal of investments in subsidiaries, any gain or loss arising thereon, including the realisation of the attributable reserves, is included in the income statement.

(c) 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.

(d) 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 investments 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. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and reserves of 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 investments in the jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

(e) Associates

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

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

Where the Group's equity interest in an associate is diluted by virtue of the additional issue of shares by such associate (i.e., a "deemed disposal"), any gain or loss arising from the deemed disposal, including the realisation of the attributable reserves, is dealt with in the Group's consolidated income statement.

(f) Impairment of non-financial assets

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

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

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.

(g) 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.

(h) Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains any non-controlling interests in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

(i) Borrowing costs

Borrowing costs directly attributable to the construction 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. Interest is capitalised at the Group's weighted average interest rate on external borrowings and, where applicable, at the interest rates related to specific development project borrowings. 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.

(j) 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, available-for-sale financial investments and held-to-maturity investments, 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.

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

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

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

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 investments 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.

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

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

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments 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 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 other operating expenses.

Available-for-sale financial investments
Available-for-sale financial investments are non-derivative financial assets. 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 or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from available-for-sale investment revaluation reserve to the income statement. Dividends earned whilst holding the available-for-sale financial investments are reported as dividend income 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 (i) the variability in the range of reasonable fair value estimates is significant for that investment or (ii) 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 investments in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial investments 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 investments. Reclassification to loans and receivables is permitted when the financial investments 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. The reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

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

(k) 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.

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 and all collateral has been realised or has been transferred to the Group.

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

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

(l) 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 (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

(m) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

Subsequent measurement
The subsequent measurement of loans and borrowings is as follows:

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

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

(n) 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.

(o) 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 a 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.

(p) 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 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.

(q) Properties held for sale

Properties held for sale are classified as current assets and stated at the lower of cost and net realisable value on an individual property basis. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices.

(r) Property, plant and equipment and depreciation

Property, plant and equipment 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.

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:

Leasehold properties	Over the shorter of the remaining lease terms and 2.5%
Leasehold improvements	Over the remaining lease terms
Furniture, fixtures and equipment	10% to 25%
Motor vehicles	25%

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 sale proceeds and the carrying amount of the relevant asset.

(s) Inventories

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

(t) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads, including any related finance charges.

Revenue from short term construction contracts is recognised upon completion of the construction work.

Revenue from long term fixed price construction contracts is recognised by reference to the work certified by architects for the relevant contract. Gross construction profit is recognised when the relevant contract has completed not less than 50% based on the percentage of completion method.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

(u) 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:

(i) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms;

(ii) income on sale of completed properties and outright sale of an entire development prior to completion, on the exchange of legally binding unconditional sales contracts;

(iii) fee income on short term construction contracts, on completion of the construction work;

(iv) fee income on long term construction contracts, on the percentage of completion basis as further explained in note 2.4(t) above;

(v) 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 or a shorter period, when appropriate, to the net carrying amount of the financial asset;

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

(vii) gain/loss from sale of listed investments at fair value through profit or loss, on the transaction dates when the relevant contract notes are exchanged; and

(viii) consultancy and management fees, in the period in which such services are rendered.

(v) 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.

The functional currencies of certain overseas subsidiaries, a jointly controlled entity and associates 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 equalisation 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.

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.

(w) Income tax

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

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

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

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

- when the deferred tax liability arises from goodwill or 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 a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, 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.

(x) Operating leases

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 are charged to the income statement on the straight-line basis over the lease terms.

(y) Employee benefits

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 for grants after 7th November, 2002 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 the Black-Scholes option pricing model.

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 ordinary share.

Staff retirement schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit 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' relevant income 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, except for the Group's employer voluntary contributions, part or all of which are refunded to the Group when the employee leaves employment prior to the contributions vesting with the employee partly or fully in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

(z) Related parties

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

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

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(1) the entity and the Group are members of the same group;

(2) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(3) the entity and the Group are joint ventures of the same third party;

(4) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(6) the entity is controlled or jointly controlled by a person identified in (i); and

(7) a person identified in (i)(1) 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).

(aa) Cash and cash equivalents

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.

(ab) Dividends

Final dividend proposed by the Directors is classified as a separate allocation of retained profits within the equity section of the statement of financial position, until it has been approved by the shareholders in a general meeting. When the dividend has been approved by the shareholders and declared, it is recognised as a liability.

Interim dividend is simultaneously proposed and declared, because the Company's memorandum of association and bye-laws grant the Directors the authority to declare interim dividend. Consequently, interim dividend is recognised immediately as a liability when it is proposed and declared.

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill included in investments in associates at 31st December, 2011 was HK$287.6 million (2010 - HK$287.6 million). More details are given in note 18 to the financial statements.

Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised deferred tax assets as at 31st December, 2011 was HK$197.2 million (2010 - HK$204.1 million). Further details are contained in note 29 to the financial statements.

Outcome of construction contracts
The Group determines whether outcome of a construction contract can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work certified by architects and the assessment of the probability of the future economic flows to the Group. During the year, the outcome of a number of construction contracts was revised, thus leading to a gross construction profit of HK$2.3 million (2010 - HK$11.1 million) being recognised in the income statement.

Impairment of available-for-sale financial assets
The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31st December, 2011, no impairment loss has been recognised for available-for-sale assets (2010 - Nil). The carrying amount of available-for-sale financial assets was HK$3.6 million (2010 - Nil).

4. OPERATING 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 development and investment segment comprises the development and sale of properties, the leasing of office and commercial premises and the provision of estate agency services;

(b) the construction and building related businesses segment engages in construction works and building related businesses, including the provision of development consultancy and project management services, property management and also security systems and products and other software development and distribution;

(c) the hotel operation and management and hotel ownership segment engages in hotel operations and the provision of hotel management services, and the ownership in hotel properties for rental income through Regal Real Estate Investment Trust ("Regal REIT");

(d) the securities investment segment engages in securities trading and investment businesses; and

(e) the others segment mainly comprises the provision of financing 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/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that certain interest income, finance costs, head office and corporate gains and expenses are excluded from such measurement.

Segment assets exclude time deposits, cash and bank balances, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest bearing bank borrowings, tax payable 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 then prevailing market prices.

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31st December, 2011 and 2010:

GROUP

	Property development and investment		Construction and building related businesses		Hotel operation and management and hotel ownership		Securities investment		Others		Eliminations		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
Segment revenue:														
Sales to external customers	377.8	5.8	56.2	92.3	–	18.8	2.1	3.1	–	–	–	–	436.1	120.0
Intersegment sales	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total	**377.8**	**5.8**	**56.2**	**92.3**	**–**	**18.8**	**2.1**	**3.1**	**–**	**–**	**–**	**–**	**436.1**	**120.0**
Segment results	141.5	(15.2)	(1.7)	7.1	–	(2.3)	(684.1)	470.9	1.4	3.3	–	–	(542.9)	463.8
Interest income and unallocated non-operating and corporate gains													15.4	3.8
Unallocated non-operating and corporate expenses													(34.4)	(25.7)
Operating profit/(loss)													**(561.9)**	**441.9**
Finance costs													**(0.9)**	**(0.1)**
Share of profits and losses of:														
A jointly controlled entity	41.4	–	–	–	–	–	–	–	–	–	–	–	**41.4**	**–**
Associates	1,945.4	(413.5)	–	–	60.5*	2,122.8*	–	–	–	–	–	–	**2,005.9**	**1,709.3**
Profit before tax													**1,484.5**	**2,151.1**
Income tax													**(0.4)**	**(0.6)**
Profit for the year before allocation between equity holders of the parent and non-controlling interests													**1,484.1**	**2,150.5**
Attributable to:														
Equity holders of the parent													**1,484.2**	**2,150.5**
Non-controlling interests													**(0.1)**	**–**
													1,484.1	**2,150.5**

* The amount represents contribution from Regal Hotels International Holdings Limited ("RHIHL"), the listed associate of the Company, and its subsidiaries (including Regal REIT and its subsidiaries) (the "RHIHL Group").

GROUP

	Property development and investment		Construction and building related businesses		Hotel operation and management and hotel ownership		Securities investment		Others		Eliminations		Consolidated	
	2011 HK$'m	2010 HK$'m	2011 HK$'m	2010 HK$'m	2011 HK$'m	2010 HK$'m	2011 HK$'m	2010 HK$'m	2011 HK$'m	2010 HK$'m	2011 HK$'m	2010 HK$'m	2011 HK$'m	2010 HK$'m
Segment assets	66.6	50.8	32.8	32.7	–	1.1	503.8	1,179.1	3.3	3.5	–	–	606.5	1,267.2
Investment in a jointly controlled entity	940.9	–	–	–	–	–	–	–	–	–	–	–	940.9	–
Investments in associates	103.6	146.9	–	–	5,939.7	5,928.1	–	–	–	–	–	–	6,043.3	6,075.0
Asset of a disposal group classified as held for sale	–	249.4	–	–	–	–	–	–	–	–	–	–	–	249.4
Cash and unallocated assets													1,481.1	461.8
Total assets													9,071.8	8,053.4
Segment liabilities	(2.9)	(5.6)	(22.8)	(36.4)	–	(1.7)	(3.7)	–	–	–	–	–	(29.4)	(43.7)
Liability directly associated with the asset of a disposal group classified as held for sale	–	(98.9)	–	–	–	–	–	–	–	–	–	–	–	(98.9)
Interest bearing bank borrowings and unallocated liabilities													(95.6)	(226.8)
Total liabilities													(125.0)	(369.4)
Other segment information:														
Depreciation	–	–	0.5	0.5	–	–	–	–	–	–				
Capital expenditure	–	42.6	0.7	0.1	–	–	–	–	–	–				
Gain on disposal of a disposal group classified as held for sale	(66.2)	–	–	–	–	–	–	–	–	–				
Other non-cash income	–	–	–	–	–	–	–	–	(0.5)	(2.3)				

Geographical information

(a) Revenue from external customers

	2011 HK$'million	2010 HK$'million
Hong Kong	**435.6**	111.7
Mainland China	**0.5**	8.3
	436.1	120.0

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

(b) Non-current assets

	2011 HK$'million	2010 HK$'million
Hong Kong	**6,257.7**	6,118.4
Mainland China	**728.4**	1.3
	6,986.1	6,119.7

The non-current assets information above is based on the location of assets and excludes financial instruments.

Information about major customers

Revenue of approximately HK$376.0 million was derived from sales to a major customer in the property development and investment segment.

In the prior year, revenue of approximately HK$43.7 million and HK$14.0 million was derived from sales to two major customers respectively, primarily in the construction and building related businesses segment.

5. REVENUE, OTHER INCOME AND GAINS

Revenue (which is also the Group's turnover), other income and gains are analysed as follows:

	GROUP	
	2011	**2010**
	HK$'million	**HK$'million**
Revenue		
Rental income:		
Investment properties	**0.1**	4.4
Properties held for sale	**0.5**	0.4
Construction and construction-related income	**51.8**	77.5
Proceeds from sale of properties	**376.0**	–
Estate management fees	**3.2**	3.2
Property development consultancy and project management fees	**1.2**	11.6
Gain from sale of listed investments at fair value through profit or loss, net	**1.2**	2.0
Dividend income from listed investments	**0.9**	1.1
Hotel operation	**–**	18.8
Other operations	**1.2**	1.0
	436.1	120.0
Other income and gains		
Interest income from:		
Bank balances	**8.6**	0.6
Loans receivable	**3.5**	3.7
Held-to-maturity investment	**0.3**	–
Dividend income from unlisted investments	**0.1**	–
Gain on disposal of an investment property	**0.2**	–
Gain on disposal of a disposal group classified as held for sale	**66.2**	–
Others	**0.1**	–
	79.0	4.3

6. OTHER OPERATING EXPENSES, NET

Other operating expenses, net, include the following major items:

	GROUP	
	2011 HK$'million	**2010 HK$'million**
Loss on disposal of financial assets at fair value through profit or loss	**12.3**	–
Loss on disposal of an associate	**–**	3.9
Reversal of impairment of loans receivable	**(0.5)**	(2.3)

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	GROUP	
	2011 HK$'million	**2010 HK$'million**
Cost of inventories sold and services provided	**310.3**	56.6
Depreciation	**0.6**	0.7
Less: Depreciation capitalised in respect of construction contracts	**–**	(0.1)
	0.6	0.6
Employee benefit expenses* (inclusive of Directors' remuneration disclosed in note 9):		
Salaries, wages and benefits	**39.5**	45.2
Equity-settled share option expense	**–**	0.3
Staff retirement scheme contributions	**2.0**	2.4
	41.5	47.9
Less: Staff costs capitalised in respect of property development projects and construction contracts:		
Wages and salaries	**(16.1)**	(21.0)
Staff retirement scheme contributions	**(0.6)**	(1.0)
	24.8	25.9

* Inclusive of an amount of HK$5.5 million (2010 - HK$9.2 million) classified under the cost of inventories sold and services provided.

	GROUP	
	2011 **HK$'million**	**2010** **HK$'million**
Auditors' remuneration	**1.3**	1.1
Write-down of inventories to net realisable value#	**0.5**	0.6
Minimum lease payments under operating leases:		
Land and buildings	**2.5**	26.5
Plant and machinery	**0.1**	0.2
	2.6	26.7
Less: Minimum lease payments capitalised in respect of construction contracts:		
Land and buildings	**(0.5)**	(0.5)
Plant and machinery	**(0.1)**	(0.2)
	2.0	26.0
and after crediting:		
Fair value gains/(losses), net, on financial assets at fair value through profit or loss		
- held for trading	**(42.8)**	1.7
- designated as such upon initial recognition	**(630.5)**	466.6
	(673.3)	468.3
Gross rental income	**0.6**	4.8
Less: Outgoings	**(0.2)**	(15.3)
Net rental income/(loss)	**0.4**	(10.5)
Foreign exchange differences, net	**3.1**	0.6
Reversal of impairment of loans receivable	**0.5**	2.3

Included under the cost of inventories sold and services provided.

8. FINANCE COSTS

	GROUP	
	2011 **HK$'million**	**2010** **HK$'million**
Interest on bank loans wholly repayable within five years	**0.7**	–
Other loan costs	**0.2**	0.1
Total finance costs	**0.9**	0.1

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	GROUP	
	2011 **HK$'million**	**2010** **HK$'million**
Fees	**1.2**	1.2
Other emoluments:		
Salaries and other allowances	**6.4**	6.2
Performance related/discretionary bonuses	**1.6**	1.1
Equity-settled share option expense	**–**	0.2
Staff retirement scheme contributions	**0.6**	0.6
	9.8	9.3

(a) Independent non-executive directors

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

	2011 **HK$'million**	**2010** **HK$'million**
Mr. Bowen Joseph Leung Po Wing, GBS, JP	**0.15**	0.15
Mr. Ng Siu Chan	**0.15**	0.15
Hon Abraham Shek Lai Him, SBS, JP	**0.15**	0.15
Mr. Wong Chi Keung	**0.20**	0.20
	0.65	0.65

The independent non-executive directors of the Company were entitled to a total sum of HK$0.65 million (2010 - HK$0.65 million) as Directors' fees, including the fees entitled by those independent non-executive directors for serving as audit committee members, for the year ended 31st December, 2011.

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

(b) Executive directors

	Fees HK$'million	Salaries and other allowances HK$'million	Performance related/ discretionary bonuses HK$'million	Equity-settled share option expense HK$'million	Staff retirement scheme contributions HK$'million	Total remuneration HK$'million
2011						
Mr. Lo Yuk Sui	0.10	2.46	0.61	–	0.25	3.42
Mr. Donald Fan Tung	0.10	0.98	0.24	–	0.10	1.42
Mr. Jimmy Lo Chun To	0.10	0.91	0.22	–	0.09	1.32
Miss Lo Po Man	0.10	0.14	0.03	–	0.01	0.28
Mr. Kenneth Ng Kwai Kai	0.10	0.58	0.14	–	0.05	0.87
Mr. Kenneth Wong Po Man	0.10	1.33	0.33	–	0.10	1.86
	0.60	6.40	1.57	–	0.60	9.17
2010						
Mr. Lo Yuk Sui	0.10	2.39	0.40	0.14	0.24	3.27
Mr. Donald Fan Tung	0.10	0.94	0.20	0.03	0.09	1.36
Mr. Jimmy Lo Chun To	0.10	0.87	0.14	0.03	0.09	1.23
Miss Lo Po Man	0.10	0.13	0.02	0.01	0.01	0.27
Mr. Kenneth Ng Kwai Kai	0.10	0.56	0.09	0.03	0.04	0.82
Mr. Kenneth Wong Po Man	0.10	1.27	0.27	0.01	0.10	1.75
	0.60	6.16	1.12	0.25	0.57	8.70

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

10. SENIOR EXECUTIVES' EMOLUMENTS

The five highest paid individuals included four (2010 - four) Directors, details of whose remuneration are disclosed in note 9 to the financial statements. The emoluments of the remaining one (2010 - one) individual, who was not a Director, are as follows:

	GROUP	
	2011 HK$'million	**2010 HK$'million**
Salaries and other emoluments	**0.9**	1.0
Performance related/discretionary bonuses	**0.1**	0.1
Staff retirement scheme contributions	**0.1**	0.1
	1.1	1.2

The emoluments of the remaining one (2010 - one) individual fell within the following band:

HK$	**2011 Number of individuals**	**2010 Number of individuals**
1,000,001 - 1,500,000	**1**	1

11. INCOME TAX

	GROUP	
	2011 HK$'million	**2010 HK$'million**
Group:		
Current - Hong Kong		
Charge for the year	**0.4**	0.6

The provision for Hong Kong profits tax has been calculated by applying the applicable tax rate of 16.5% (2010 - 16.5%) to the estimated assessable profits which were earned in or derived from Hong Kong during the year.

Taxes on the profits of subsidiaries operating overseas are calculated at the rates prevailing in the respective jurisdictions in which they operate.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries is domiciled to the tax expense at the effective tax rate is as follows:

	GROUP	
	2011 HK$'million	**2010 HK$'million**
Profit before tax	**1,484.5**	2,151.1
Tax at the Hong Kong statutory tax rate of 16.5% (2010 - 16.5%)	**244.9**	354.9
Profits and losses attributable to a jointly controlled entity and associates	**(337.8)**	(282.0)
Income not subject to tax	**(26.9)**	(79.1)
Expenses not deductible for tax	**108.5**	4.1
Tax losses utilised from previous years	**(0.3)**	(1.3)
Tax losses not recognised during the year	**12.0**	4.0
Tax charge at the Group's effective rate of 0.03% (2010 - 0.03%)	**0.4**	0.6

The share of tax charge attributable to associates amounting to HK$380.7 million (2010 - HK$37.2 million) is included in "Share of profits and losses of associates" in the consolidated income statement.

No provision for tax is required for the jointly controlled entity as no assessable profit was earned by the jointly controlled entity during the year (2010 - Nil).

There was no material unprovided deferred tax in respect of the year and as at 31st December, 2011.

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31st December, 2011 includes a loss of HK$3.1 million (2010 - HK$2.6 million) which has been dealt with in the financial statements of the Company (note 31(b)).

13. DIVIDENDS

	2011 HK$'million	2010 HK$'million
Interim - HK1.8 cents (2010 - HK1.5 cents) and special interim cash of HK10.0 cents (2010 - Nil) per ordinary share	**136.3**	15.5
Proposed final - HK8.0 cents (2010 - HK7.5 cents) per ordinary share	**91.9**	84.3
	228.2	99.8

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

14. EARNINGS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the profit for the year attributable to equity holders of the parent of HK$1,484.2 million (2010 - HK$2,150.5 million) and on the weighted average of 1,141.5 million (2010 - 1,037.2 million) ordinary shares of the Company in issue during the year.

(b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2011 is based on the profit for the year attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the aggregate of the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 8.1 million that would be issued at no consideration assuming all outstanding share options of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of the year. The exercise price of the share options of RHIHL outstanding during the year is higher than the average market price of the ordinary shares of RHIHL and, accordingly, they have no dilutive effect on the basic earnings per ordinary share.

The calculation of diluted earnings per ordinary share for the year ended 31st December, 2010 was based on the profit for that year attributable to equity holders of the parent. The weighted average number of ordinary shares used in the calculation was the aggregate of the weighted average number of ordinary shares in issue during that year, as used in the basic earnings per ordinary share calculation, and the weighted average number of ordinary shares of 36.1 million that would be issued at no consideration assuming all outstanding share options and the subscription rights attaching to all outstanding warrants of the Company were exercised to subscribe for ordinary shares of the Company at the beginning of that year. The exercise price of the share options of RHIHL outstanding during that year was higher than the average market price of the ordinary shares of RHIHL and, accordingly, they had no dilutive effect on the basic earnings per ordinary share.

15. PROPERTY, PLANT AND EQUIPMENT

	GROUP			
	Leasehold properties HK$'million	Leasehold improvements, furniture, fixtures and equipment HK$'million	Motor vehicles HK$'million	Total HK$'million
31st December, 2011				
At 31st December, 2010 and 1st January, 2011:				
Cost	1.1	10.6	1.1	12.8
Accumulated depreciation	(0.4)	(9.7)	(1.1)	(11.2)
Net carrying amount	0.7	0.9	–	1.6
At 1st January, 2011, net of accumulated depreciation	0.7	0.9	–	1.6
Additions	–	0.1	0.6	0.7
Write-off/Disposals	–	(0.3)	(0.7)	(1.0)
Write-back of depreciation upon write-off/disposals	–	0.3	0.7	1.0
Depreciation provided during the year	–	(0.5)	(0.1)	(0.6)
At 31st December, 2011, net of accumulated depreciation	0.7	0.5	0.5	1.7
At 31st December, 2011:				
Cost	1.1	10.4	1.0	12.5
Accumulated depreciation	(0.4)	(9.9)	(0.5)	(10.8)
Net carrying amount	0.7	0.5	0.5	1.7

	GROUP			
	Leasehold properties HK$'million	Leasehold improvements, furniture, fixtures and equipment HK$'million	Motor vehicles HK$'million	Total HK$'million
31st December, 2010				
At 1st January, 2010:				
Cost	1.1	10.8	1.1	13.0
Accumulated depreciation	(0.4)	(9.9)	(0.9)	(11.2)
Net carrying amount	0.7	0.9	0.2	1.8
At 1st January, 2010, net of accumulated depreciation	0.7	0.9	0.2	1.8
Additions	–	0.5	–	0.5
Write-off	–	(0.7)	–	(0.7)
Write-back of depreciation upon write-off	–	0.7	–	0.7
Depreciation provided during the year	–	(0.5)	(0.2)	(0.7)
At 31st December, 2010, net of accumulated depreciation	0.7	0.9	–	1.6
At 31st December, 2010:				
Cost	1.1	10.6	1.1	12.8
Accumulated depreciation	(0.4)	(9.7)	(1.1)	(11.2)
Net carrying amount	0.7	0.9	–	1.6

The leasehold properties are held under medium term leases and are situated in Hong Kong.

16. INVESTMENT PROPERTIES

	GROUP	
	2011 HK$'million	2010 HK$'million
Carrying amount at 1st January	**0.5**	0.4
Disposals	**(0.3)**	–
Gain from fair value adjustments	**–**	0.1
Carrying amount at 31st December	**0.2**	0.5

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

The Group's investment properties were revalued on 31st December, 2011 by independent professionally qualified valuers with an RICS qualification at HK$0.2 million, on an open market, existing use basis.

17. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	GROUP	
	2011 HK$'million	2010 HK$'million
Unlisted company:		
Share of net assets	**46.6**	–
Unrealised profit eliminated on sale of properties	**(75.7)**	–
Loan to a jointly controlled entity	**970.0**	–
	940.9	–

The loan to the jointly controlled entity is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the Directors, this loan is considered as quasi-equity investment in the jointly controlled entity.

Details of the Group's investment in a jointly controlled entity are as follows:

Name	Place of incorporation	Particulars of issued shares held	Percentage of equity interest attributable to the Group 2011	2010	Principal activity
P&R Holdings Limited ("P&R Holdings")	British Virgin Islands	Ordinary shares of US$1 each	50	–	Investment holding

The jointly controlled entity is indirectly held by the Company.

P&R Holdings is owned by the Group and the RHIHL Group on a 50:50 basis and is primarily involved in the development of real estate projects for sale and/or leasing and the undertaking of related investment and financing activities. During the year, P&R Holdings acquired certain property development projects in Hong Kong from the Group as detailed in note 34(a) and 70% interest in a property development project at Xindu District, Chengdu, Sichuan Province, the People's Republic of China (the "PRC") from another jointly controlled entity of the RHIHL Group. P&R Holdings was formerly known as Flourish Lead Investments Limited when it was established as a jointly controlled entity, and it was subsequently renamed as "P&R Holdings Limited" on 6th March, 2012.

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

	2011 HK$'million	2010 HK$'million
Share of jointly controlled entity's assets and liabilities:		
Non-current assets	**1,800.8**	–
Current assets	**19.1**	–
Current liabilities	**(123.1)**	–
Non-current liabilities	**(1,464.6)**	–
	232.2	–
Non-controlling interests	**(185.6)**	–
Net assets after non-controlling interests	**46.6**	–
Share of jointly controlled entity's results:		
Other income and gains	**50.7**	–
Total expenses	**(11.4)**	–
Profit after tax	**39.3**	–
Non-controlling interests	**2.1**	–
Profit after tax attributable to equity holders of the parent	**41.4**	–

At 31st December, 2011, the Group's share of the maximum capital commitment to P&R Holdings for the development of real estate projects amounted to HK$1,900.0 million (2010 - Nil), of which HK$970.0 million (2010 - Nil) has been contributed as shareholder's loan and HK$170.0 million (2010 - Nil) has been provided as a guarantee, on a several basis, for banking facilities granted to a subsidiary of P&R Holdings during the year.

At the end of the reporting period, the Group's share of the capital commitments of P&R Holdings in respect of property development projects, was as follows:

	2011 HK$'million	2010 HK$'million
Authorised, but not contracted for	**302.2**	–
Contracted, but not provided for	**307.1**	–
	609.3	–

18. INVESTMENTS IN ASSOCIATES

	GROUP	
	2011 **HK$'million**	**2010** **HK$'million**
Listed and unlisted companies:		
Share of net assets	**5,479.7**	5,373.1
Goodwill on acquisition	**287.6**	287.6
	5,767.3	5,660.7
Loans to associates	**–**	156.0
Amount due from an associate	**276.1**	258.4
Amount due to an associate	**(0.1)**	(0.1)
	6,043.3	6,075.0
Share of net assets of the listed associate	**5,652.1**	5,640.6
Market value of an associate listed in Hong Kong	**1,161.9**	1,522.8

Goodwill

	GROUP	
	2011 **HK$'million**	**2010** **HK$'million**
Cost and carrying amount at 1st January and 31st December	**287.6**	287.6

The loans to associates are unsecured, interest-free and not repayable within one year.

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

In the opinion of the Directors, the loans to and amount due from associates are considered as quasi-equity investments in the associates.

Details of the Group's principal associates are as follows:

Name	Place of incorporation	Particulars of issued shares held	Percentage of equity interest attributable to the Group 2011	2010	Principal activities
Regal Hotels International Holdings Limited[(1)]	Bermuda	Ordinary shares of HK$0.10 each	49.4	49.3	Investment holding
Hang Fok Properties Limited ("Hang Fok")[(2)]	British Virgin Islands	Ordinary shares of US$1 each	50.0	50.0	Investment holding
Cheerjoy Development Limited*	Hong Kong	Ordinary shares of HK$1 each	30.0	30.0	Property development

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

(1) The RHIHL Group is engaged in the business activities of hotel operation and management, hotel ownership, property development and investment, and other investments. The ordinary shares of RHIHL are listed on the Stock Exchange.

(2) The major asset of Hang Fok is its equity interest in each of two sino-foreign joint ventures, namely Beijing Century City Real Estate Development Co., Ltd. and Beijing Jianye Real Estate Developing Co., Ltd. established in Beijing, PRC, which are engaged in a property development project in Beijing, PRC.

As previously reported, Hang Fok was engaged in arbitration proceedings in Beijing, involving claims by the vendor of the 36% equity interest (comprised within the 59% equity interest originally held) in the joint venture entities for the rescission of the relevant sale and purchase contracts entered into between the parties in 2005. Despite the strenuous efforts made by Hang Fok to set aside the adverse arbitral award to rescind the said contracts, such efforts have unfortunately not been successful and the beneficial interests of Hang Fok in the joint venture entities have effectively been reduced from 59% to 23%. In this connection, a provision at the associate's level in the amount of HK$801.0 million had already been made in the prior year, 50% of which was attributable to the Group. Nevertheless, the Group's management will persist in striving to protect the Group's interest in the project and to salvage potential value.

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

The summarised financial information of the Group's associates, which has been extracted from their audited consolidated financial statements and/or management accounts, is as follows:

	2011 HK$'million	2010 HK$'million
Assets	**22,160.0**	24,828.8
Liabilities	**9,215.5**	12,101.3
Revenue	**18,354.7**	1,502.7
Profit	**6,499.3**	6,092.5

19. AVAILABLE-FOR-SALE INVESTMENTS

	GROUP	
	2011 HK$'million	2010 HK$'million
Unlisted investments, at fair value	**3.6**	–

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$0.5 million (2010 - Nil).

The above unlisted investments represent investments which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP	
	2011 **HK$'million**	**2010** **HK$'million**
Non-current assets:		
Listed equity investments in Hong Kong, at market value	**143.2**	389.5
Unlisted debt investments, at fair value	**205.1**	567.6
	348.3	957.1
Current assets:		
Listed equity investments in Hong Kong, at market value	**112.2**	120.5
Unlisted debt investment, at fair value	**–**	93.4
	112.2	213.9

The listed equity investments included under non-current assets and the unlisted debt investments at 31st December, 2010 and 2011 were designated upon initial recognition as financial assets at fair value through profit or loss as they are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy, and information about the investments is provided on that basis to the Group's key management personnel.

The listed equity investments included under current assets at 31st December, 2010 and 2011 were classified as held for trading.

The unlisted debt investments included under non-current assets at 31st December, 2010 and 2011 represented the investment in convertible bonds issued by a subsidiary of Cosmopolitan International Holdings Limited ("Cosmopolitan", and together with its subsidiaries, "Cosmopolitan Group"), a listed company in Hong Kong, in a principal amount of HK$100.0 million, which are due 2013 and were convertible into 166.7 million new shares of Cosmopolitan at an initial conversion price of HK$0.6 per share (the "2013 CB"). The Group was also granted an option to subscribe for further 2013 CB in an additional principal amount of up to HK$100.0 million. The optional 2013 CB, if fully subscribed for and issued, would be convertible into 166.7 million new shares of Cosmopolitan at an initial conversion price of HK$0.6 per share. The conversion price of 2013 CB was adjusted to HK$0.3 per share upon the issuance of the 2011 CB (as described below) by Cosmopolitan Group on 25th February, 2009. With effect from 30th August, 2010, the conversion price was further adjusted to HK$0.06 per share as a result of the subdivision of ordinary shares of Cosmopolitan on the basis of 1 into 5. At 31st December, 2011, the 2013 CB (including the issued 2013 CB and, if fully subscribed for and issued, the optional 2013 CB) in an aggregate principal amount of HK$200.0 million are convertible into a total of 3,333.3 million new shares of Cosmopolitan at the adjusted conversion price of HK$0.06 per share.

The unlisted debt investment included under current assets as at 31st December, 2010 represented the investments in the new convertible bonds issued by Cosmopolitan Group during 2009 in a principal amount of HK$28.0 million, which was due 2011 and convertible into 93.3 million new shares of Cosmopolitan at an initial conversion price of HK$0.3 per share (the "2011 CB"). The conversion price of 2011 CB was adjusted to HK$0.06 per share from 30th August, 2010 as a result of the subdivision of ordinary shares of Cosmopolitan. The 2011 CB was converted into 466.7 million new ordinary shares of Cosmopolitan upon its maturity in February, 2011.

At 31st December, 2011, the Group also held approximately 17.11% interest in the issued share capital of Cosmopolitan, which was included in listed equity investments under non-current assets. On the basis that all outstanding convertible bonds were converted, and all optional bonds were subscribed and converted, by the Group and other bondholders, the interest held by the Group in the enlarged issued share capital of Cosmopolitan would be increased to 24.3%. The results of Cosmopolitan Group have not been equity accounted for by the Group as the Directors consider that despite the Group's investments in the shares of Cosmopolitan and the 2013 CB, the Group is not in a position to exercise significant influence over the financial and operating policies of Cosmopolitan.

The fair values of the unlisted debt investments have been estimated by an independent professional valuer using valuation techniques, including discounted cash flows and binomial option pricing models, based on quoted market price of the underlying listed security.

At the date of approval of these financial statements, the market value of the listed equity investments and the fair value of the unlisted debt investments included under non-current assets were approximately HK$235.2 million and HK$177.6 million, respectively.

21. HELD-TO-MATURITY INVESTMENT

The amount represents unlisted certificate of deposits with fixed maturity date held as at 31st December, 2011. The unlisted certificate of deposits is denominated in Renminbi with fixed interest rate.

22. LOANS RECEIVABLE

The balance represents long term mortgage loans granted by the Group to purchasers in connection with the sale of its properties. The loans are secured by second mortgages over the properties sold and are repayable by instalments in 15 to 20 years. The long term mortgage loans bear interest at Hong Kong prime rate to Hong Kong prime rate plus 2% per annum.

23. INVENTORIES

	GROUP	
	2011 **HK$'million**	**2010** **HK$'million**
Work in progress	**8.4**	3.3
Finished goods	**1.0**	0.8
	9.4	4.1

24. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK$11.0 million (2010 - HK$18.2 million) representing the trade debtors of the Group.

	GROUP	
	2011 **HK$'million**	**2010** **HK$'million**
Trade debtors	**11.0**	18.2

Credit terms

Trade debtors generally have credit terms of 30 to 90 days. The Group seeks to maintain strict control over its outstanding debts and overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Group's exposures spread over a number of counter-parties and customers, the Group has no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of such debtors as at the end of the reporting period, based on the invoice date, is as follows:

	GROUP	
	2011 **HK$'million**	**2010** **HK$'million**
Outstanding balances with ages:		
Within 3 months	**2.7**	18.0
Between 4 to 6 months	**–**	0.1
Between 7 to 12 months	**0.4**	–
Over 1 year	**7.9**	0.1
	11.0	18.2

The aged analysis of such debtors that are not considered to be impaired as at the end of the reporting period is as follows:

	GROUP	
	2011 HK$'million	2010 HK$'million
Neither past due nor impaired	**2.0**	–
Less than 3 months past due	**0.7**	18.0
4 to 6 months past due	**–**	0.1
7 to 12 months past due	**0.4**	–
Over 1 year past due	**7.9**	0.1
	11.0	18.2

Trade debtors that were past due but not impaired relate to a number of diversified 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.

Included in the balances are amounts due from the Group's jointly controlled entity, the listed associate, a related company and a jointly controlled entity of the listed associate of HK$8.2 million (2010 - Nil), HK$0.8 million (2010 - HK$1.6 million), HK$1.3 million (2010 - HK$1.3 million) and Nil (2010 - HK$0.1 million), respectively, which are unsecured, non-interest bearing and repayable either on similar credit terms to those offered to the major customers of the Group or on demand.

25. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In prior years, the Group's interest in Talent Faith Investments Ltd. ("Talent Faith") was classified under investments in associates despite the increase in its equity interest therein from 50% to 100% in 2003, since the Group had entered into an agreement (the "SP Agreement") with a third party purchaser (the "Purchaser") in that year to dispose of its entire equity interest in Talent Faith and accordingly the control over Talent Faith was considered temporary pending the outcome of the SP Agreement.

As at 31st December, 2005, the SP Agreement had not yet been completed and upon the adoption of HKAS 27 and HKFRS 5 in 2005, the result of Talent Faith was consolidated in the Group's consolidated financial statements and the asset and liability of Talent Faith and its subsidiaries (the "Talent Faith Group") were presented as asset and liability of a disposal group classified as held for sale under current assets and current liabilities, respectively. The consideration of the disposal was fully settled as at 31st December, 2006. However, the SP Agreement had not been completed due to a delay caused by events beyond the Group's control. Since the Group remained committed to its planned disposal of Talent Faith, no reclassification had been made therefor while the consideration received in the amount of HK$216.7 million was included in "Deposits received" at 31st December, 2010.

In November 2011, the Purchaser, which was a company incorporated in Hong Kong, was struck off the register by the Companies Registry and formally dissolved. Consequently, the formal procedure for the transfer of the legal titles to the shares of Talent Faith to the Purchaser pursuant to the SP Agreement could no longer be achieved by the Group. Under the circumstances, a legal opinion was sought by management to advise on the legal status of the SP Agreement. According to the legal opinion obtained, the Group no longer held any beneficial interest in Talent Faith and, upon the dissolution of the Purchaser, the underlying shares in Talent Faith should belong to the Government. Having considered the legal opinion and other relevant facts and circumstances, the Group's management considered it appropriate to treat the disposal of the disposal group classified as held for sale as completed. Accordingly, the asset and liability of the disposal group and the consideration received were transferred to the consolidated income statement and a gain on disposal in the amount of HK$66.2 million was recognised for the year.

The major class of the asset and liability of the Talent Faith Group classified as held for sale as at 31st December are as follows:

	2011 HK$'million	2010 HK$'million
Asset		
Loan receivable	–	249.4
Liability		
Loan from non-controlling shareholders	–	(98.9)

26. CREDITORS AND ACCRUALS

Included in the balance is an amount of HK$1.6 million (2010 - HK$4.2 million) representing the trade creditors of the Group. The aged analysis of such creditors as at the end of the reporting period, based on the invoice date, is as follows:

	GROUP	
	2011 HK$'million	**2010 HK$'million**
Outstanding balances with ages:		
Within 3 months	**1.6**	4.2

The trade creditors are non-interest bearing and are normally settled within 90 days.

Included in the balances are amounts due to the Group's listed associate and a fellow subsidiary of HK$1.6 million (2010 - HK$2.9 million) and HK$1.8 million (2010 - HK$0.9 million), respectively, which are unsecured, non-interest bearing and have no fixed terms of repayment.

27. CONSTRUCTION CONTRACTS

	GROUP	
	2011 HK$'million	**2010 HK$'million**
Gross amount due from contract customers included in debtors, deposits and prepayments	**3.6**	3.8
Gross amount due to contract customers included in creditors and accruals	**(5.7)**	(11.8)
	(2.1)	(8.0)
Contract costs incurred plus recognised profits less recognised losses to date	**574.8**	2,191.2
Less: Progress billings	**(576.9)**	(2,199.2)
	(2.1)	(8.0)

At 31st December, 2011, retentions held by customers for contract works, as included in debtors, deposits and prepayments under current assets, amounted to approximately HK$5.7 million (2010 - HK$5.4 million).

28. INTEREST BEARING BANK BORROWINGS

	GROUP			
	2011		2010	
	Maturity	HK$'million	Maturity	HK$'million
Current				
Bank loans – secured	2012	83.0	–	–

	GROUP	
	2011	2010
	HK$'million	HK$'million
Analysed into:		
Bank loans repayable within one year or on demand	83.0	–

The Group's bank borrowings are secured by a pledge over certain assets of the Group as further detailed in note 35 to the financial statements. It bears interest at HIBOR plus 1.2% per annum (2010 - Nil), except for a bank loan of HK$33.0 million (2010 - Nil) which bears interest at a fixed rate of 1.23% per annum.

All interest bearing bank borrowings are denominated in Hong Kong dollars except for a bank loan of HK$33.0 million which is in United States dollars.

29. DEFERRED TAX ASSETS

The Group has tax losses arising in Hong Kong and the United States of America amounting to HK$757.6 million (2010 - HK$798.0 million) and HK$206.4 million (2010 - HK$207.0 million), respectively, as at 31st December, 2011. The tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose, whilst those arising in the United States of America are available for a maximum period of twenty years. Deferred tax assets amounting to HK$197.2 million (2010 - HK$204.1 million) have not been recognised in respect of these tax losses on account of the unpredictability of future profit streams.

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

30. SHARE CAPITAL AND SHARE PREMIUM

	COMPANY	
	2011 HK$'million	**2010 HK$'million**
Shares		
Authorised:		
2,000.0 million (2010 - 2,000.0 million) ordinary shares of HK$0.10 each	**200.0**	200.0
4,750.0 million (2010 - 4,750.0 million) non-voting convertible preference shares of HK$0.10 each	**475.0**	475.0
	675.0	675.0
Issued and fully paid:		
1,149.3 million (2010 - 1,124.2 million) ordinary shares of HK$0.10 each	**114.9**	112.4
Share premium		
Ordinary shares	**1,434.2**	1,379.8

A summary of the movements in the Company's share capital and share premium during the years ended 31st December, 2011 and 2010 is as follows:

	Notes	Authorised		Issued and fully paid		Share premium account
		Number of shares 'million	Amount HK$'million	Number of shares 'million	Amount HK$'million	Amount HK$'million
Ordinary shares						
At 1st January, 2010		2,000.0	200.0	1,019.4	101.9	1,173.7
Issue of new shares upon exercise of warrants	(i)	–	–	106.8	10.7	213.7
Repurchase and cancellation of ordinary shares	(ii)	–	–	(2.0)	(0.2)	(5.8)
Repurchase and cancellation of warrants		–	–	–	–	(1.8)
At 31st December, 2010 and 1st January, 2011		2,000.0	200.0	1,124.2	112.4	1,379.8
Issue of new shares upon exercise of share options	(iii)	–	–	30.9	3.1	67.2
Repurchase and cancellation of ordinary shares	(iv)	–	–	(5.8)	(0.6)	(12.8)
At 31st December, 2011		2,000.0	200.0	1,149.3	114.9	1,434.2
Non-voting convertible preference shares of HK$0.10 each						
At 1st January, 2010, 31st December, 2010 and 2011		4,750.0	475.0	–	–	–
Total share capital						
At 31st December, 2011			**675.0**		**114.9**	**1,434.2**
At 31st December, 2010			675.0		112.4	1,379.8

Notes:

(i) During the year ended 31st December 2010, an aggregate of 106.8 million new ordinary shares of HK$0.10 each were issued for cash upon the exercise of the subscription rights by the holders of the Company's warrants at the then prevailing adjusted subscription price of HK$2.10 per share for a total cash consideration of HK$224.4 million, before expenses.

(ii) All ordinary shares repurchased during the prior year were cancelled during that year, and the issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The premium and related expenses paid on the repurchase of the ordinary shares, of HK$5.8 million, were charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

(iii) During the year, an aggregate of 30.9 million new ordinary shares of HK$0.10 each were issued for cash upon the exercise of the share options of the Company at the adjusted subscription price of HK$1.97 per share for a total cash consideration of HK$60.8 million, before expenses. An amount of HK$9.5 million was transferred from the share option reserve to the share premium account upon the exercise of the share options.

(iv) Out of the 5,782,000 repurchased ordinary shares, 5,478,000 repurchased ordinary shares were cancelled during the year, and the remaining 304,000 repurchased ordinary shares were cancelled subsequent to the year end date. The issued share capital of the Company was accordingly reduced by the par value of the repurchased ordinary shares so cancelled. The premium and related expenses paid on the repurchases of the ordinary shares, of HK$12.8 million, were charged to the share premium account. An amount equivalent to the par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

Details of the repurchases during the year are summarised as follows:

Month of repurchase	**Number of ordinary shares repurchased**	**Price per ordinary share**		**Aggregate purchase price**
		Highest (HK$)	**Lowest (HK$)**	**(HK$)**
October 2011	1,588,000	2.470	2.210	3,708,480
November 2011	2,516,000	2.470	2.230	5,899,760
December 2011	1,678,000	2.300	2.130	3,730,300
	5,782,000			13,338,540
Total expenses on shares repurchased during the year				50,536
Total				13,389,076

Share options

The Company operates a share option scheme named as "The Paliburg Holdings Limited Share Option Scheme" (the "Share Option Scheme"). The Share Option Scheme was adopted by the Company's shareholders on 16th June, 2005 and became effective on 21st July, 2005. Share options granted under the Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

During the year, movements in share options granted by the Company pursuant to the Share Option Scheme are as follows:

Offer date**	Name or category of participant	Number of ordinary shares under share options*: At 1st January, 2011	Exercised during the year	At 31st December, 2011	Vesting/ Exercise periods of share options	Adjusted exercise price of share options* HK$
	Directors					
12th May, 2005	Mr. Lo Yuk Sui Vested:	20,088,000	(20,088,000)	–	Note	1.97
25th July, 2005	Mr. Donald Fan Tung Vested:	2,232,000	(2,232,000)	–	Note	1.97
25th July, 2005	Mr. Jimmy Lo Chun To Vested:	2,232,000	(2,232,000)	–	Note	1.97
25th July, 2005	Miss Lo Po Man Vested:	1,116,000	(1,116,000)	–	Note	1.97
25th July, 2005	Mr. Kenneth Ng Kwai Kai Vested:	2,176,200	(2,176,200)	–	Note	1.97
25th July, 2005	Mr. Kenneth Wong Po Man Vested:	1,116,000	(1,116,000)	–	Note	1.97
	Other employees					
25th July, 2005	Employees, in aggregate Vested:	1,897,200	(1,897,200)	–	Note	1.97
	Total vested:	**30,857,400**	**(30,857,400)**	**–**		

* Subject to adjustment in the case of rights or bonus issues, or other relevant changes in the Company's share capital.

** Offer date is the date on which the grant of share options is offered by the Company, and it is deemed the date of grant of the share options unless the grant of the share options is declined or lapsed.

The weighted average share price at the dates of exercise of the share options and the weighted average closing share price immediately before the dates of exercise of the share options during the year were both approximately HK$3.02 per share.

Note:

Vesting/Exercise periods of share options:

On completion of continuous service of	Percentage vesting	Cumulative percentage exercisable
2 years after offer date	40% of options granted	40% (exercisable until 6 years after offer date)
3 years after offer date	A further 20% of options granted	60% (exercisable until 6 years after offer date)
4 years after offer date	A further 20% of options granted	80% (exercisable until 6 years after offer date)
5 years after offer date	The final 20% of options granted	100% (exercisable until 6 years after offer date)

The summarised information on the Share Option Scheme is set out as follows:

(i)	Purpose:	To provide the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible persons
(ii)	Participants:	Eligible person means any person who is either (i) an eligible employee; (ii) a Non-Executive Director (including any Independent Non-Executive Directors); (iii) a direct or indirect shareholder of any member of the Group; (iv) a person or entity that provides advisory, consultancy, professional or other services to any member of the Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (vi) any company wholly owned by one or more persons belonging to any of the above classes of participants; or (vii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any of the above classes of participants, as notified by the Board that he is an eligible person
(iii)	Total number of ordinary shares subject to outstanding options under the Share Option Scheme and as a percentage of the issued share capital as at 31st December, 2011 and at the date of this report:	Nil
(iv)	Maximum entitlement of each participant under the Share Option Scheme:	Not exceeding 1% of the offer ordinary shares of the Company in issue as of the offer date in any 12 month period
(v)	The period within which the shares must be taken up under an option:	From the time when the options become vested to no later than ten years after the offer date

(vi)	Minimum period for which an option must be held before it can be exercised:	No minimum period unless otherwise determined by the Board at the time of the approval of the grant
(vii)	Amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:	N/A
(viii)	The basis of determining the exercise price:	Determined by the Board (subject to any necessary consent or approval being obtained) and shall not be less than the higher of (i) the closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on the offer date; (ii) the average closing price of the ordinary shares of the Company on the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of the ordinary shares of the Company
(ix)	The life of the Share Option Scheme:	The life of the Share Option Scheme commenced from 16th June, 2005, date of adoption, and ending on 15th June, 2015.

Warrants

At the special general meeting of the Company held on 7th November, 2007, an ordinary resolution was duly passed by the shareholders of the Company with respect to a bonus issue of warrants ("Warrants") of the Company on the basis of three units of Warrants each carrying a subscription right of HK$0.21 for every seven ordinary shares of HK$0.01 each of the Company taken up by the Qualifying Shareholders under the Open Offer.

On 13th November, 2007, Warrants carrying aggregate subscription rights of approximately HK$237.7 million were issued to the shareholders of the Company. On issue, the Warrants confer rights on their holders to subscribe for up to approximately 1,131.7 million new ordinary shares of HK$0.01 each of the Company at the initial subscription price of HK$0.21 per ordinary share of HK$0.01 each (subject to adjustment), at any time from the date falling 7 days after the date of issue (i.e., 13th November, 2007) to the date falling 7 days prior to the third anniversary of date of issue (i.e., 8th November, 2010). With effect from 23rd October, 2008, the subscription price of the Warrants was adjusted to HK$2.10 per ordinary share of HK$0.10 as a result of the consolidation of ordinary shares of the Company on the basis of 10 into 1 effective from 23rd October, 2008.

During the prior year, Warrants carrying aggregate subscription rights of HK$224,342,373.78 were exercised to subscribe for 106.8 million new ordinary shares of HK$0.10 each of the Company at the adjusted subscription price of HK$2.10 per share. Warrants carrying subscription rights in an aggregate amount of HK$4,441,500 were repurchased by the Company at aggregate purchase price of HK$1,772,990 on the Stock Exchange. All the repurchased Warrants were cancelled during the prior year. The outstanding subscription rights attached to the Warrants which were not exercised by 4:00 p.m. on 8th November, 2010, the expiry date of the subscription rights, lapsed. The listing of the 2010 Warrants was withdrawn with effect from the close of trading hours of the Stock Exchange on 8th November, 2010.

31. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements on pages 47 and 48.

Special reserve

The Group's special reserve represents reserve arising from the Company's capital reorganisation in 2002.

(b) Company

	Notes	Share premium account HK$'million	Contributed surplus HK$'million	Capital redemption reserve HK$'million	Share option reserve HK$'million	Retained profits HK$'million	Total HK$'million
At 1st January, 2010		1,173.7	1,742.7	–	9.2	475.8	3,401.4
Issue of new shares upon exercise of warrants	30(i)	213.7	–	–	–	–	213.7
Repurchase and cancellation of ordinary shares	30(ii)	(5.8)	(0.2)	0.2	–	–	(5.8)
Repurchase and cancellation of warrants	30	(1.8)	–	–	–	–	(1.8)
Equity-settled share option arrangements		–	–	–	0.3	–	0.3
Loss for the year	12	–	–	–	–	(2.6)	(2.6)
Interim 2010 dividend	13	–	–	–	–	(15.5)	(15.5)
Proposed final 2010 dividend	13	–	–	–	–	(84.3)	(84.3)
At 31st December, 2010 and 1st January, 2011		1,379.8	1,742.5	0.2	9.5	373.4	3,505.4
Issue of new shares upon exercise of share options	30(iii)	67.2	–	–	(9.5)	–	57.7
Repurchase and cancellation of ordinary shares	30(iv)	(12.8)	(0.6)	0.6	–	–	(12.8)
Loss for the year	12	–	–	–	–	(3.1)	(3.1)
Underprovision of final 2010 dividend		–	–	–	–	(1.9)	(1.9)
Interim 2011 dividend	13	–	–	–	–	(136.3)	(136.3)
Proposed final 2011 dividend	13	–	–	–	–	(91.9)	(91.9)
At 31st December, 2011		1,434.2	1,741.9	0.8	–	140.2	3,317.1

The contributed surplus represents reserves arising from (i) a group reorganisation in 1993 in preparation for a separate listing of the Company's shares, originally representing the difference between the nominal value of the Company's shares issued under the reorganisation scheme and the then consolidated net asset value of the subsidiaries at the date of acquisition; and (ii) the Company's capital reorganisation in 2002.

Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders under certain circumstances.

32. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2011	**2010**
	HK$'million	**HK$'million**
Unlisted shares, at cost	**209.0**	209.0
Amount due from a subsidiary	**3,316.9**	3,494.4
	3,525.9	3,703.4

The amount due from a subsidiary is unsecured, interest-free and not repayable within one year. In the opinion of the Directors, this amount is considered as quasi-equity investment in the subsidiary.

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company 2011	2010	Principal activities
303 Technology Limited	Hong Kong	HK$2	100	100	Security systems and software design, development and distribution
Bajan Company Limited	Hong Kong	HK$2	100	100	Securities investment
Chatwin Engineering Limited	Hong Kong	HK$16,800,000	100	100	Building construction
Cheer Faith Limited	Hong Kong	HK$2	100	100	Financing
Cosmos Best Development Limited	Hong Kong	HK$2	100	100	Management services
Cosmos Gain Investment Limited	Hong Kong	HK$2	100	100	Property development and investment
Everlane Investment Limited	Hong Kong	HK$2	100	100	Property development and investment
Farich Investment Limited	Hong Kong	HK$2	100	100	Investment holding
Fine Cosmos Development Limited(iii)	Hong Kong	HK$2	–	100	Property development and investment
Finso Limited	Hong Kong	HK$2	100	100	Investment holding
Gain World Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Glaser Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company 2011	2010	Principal activities
Grand Equity Limited	British Virgin Islands	US$1	100	100	Investment holding
Great Select Holdings Limited	British Virgin Islands	US$1	100	100	Securities investment
Guo Yui Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
H.P. Nominees Limited	Hong Kong	HK$2	100	100	Investment holding and nominee services
Hilmark Investments Limited	British Virgin Islands	US$1	100	100	Investment holding
Jumbo Pearl Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Leading Lighting Technology Limited	Hong Kong	HK$1	100	100	Lighting technology services
Leading Technology Holdings Limited	British Virgin Islands	US$100	100	100	Investment holding
Lendas Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Linkprofit Limited	Hong Kong	HK$1,000	100	100	Investment holding
Paliburg BVI Holdings Limited	British Virgin Islands	HK$10	100	100	Investment holding
Paliburg Building Services Limited	Hong Kong	HK$2	100	100	Mechanical and electrical engineering services
Paliburg Development BVI Holdings Limited	British Virgin Islands	US$1	100	100	Investment holding

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company 2011	2010	Principal activities
Paliburg Development Consultants Limited	Hong Kong	HK$100,000	100	100	Development consultants
Paliburg Development Finance Limited	Hong Kong	HK$2	100	100	Financing
Paliburg Estate Agents Limited	Hong Kong	HK$20	100	100	Estate agent
Paliburg Estate Management Limited	Hong Kong	HK$20	100	100	Estate management
Paliburg Finance Limited	Hong Kong	HK$2	100	100	Financing
Paliburg Investments Limited	Hong Kong	HK$526,506,860	100	100	Investment holding
Paliburg Property Development (Shanghai) Co., Ltd.(i)	The People's Republic of China	US$10,000,000	100	100	Property development and investment
Real Charm Investment Limited(iii)	Hong Kong	HK$2	–	100	Property development
Rich Pearl Limited	Hong Kong	HK$10,000	100	100	Financing
Sanefix Development Limited	Hong Kong	HK$2	100	100	Property investment
Shenzhen Leading Technology Co., Ltd.(i)	The People's Republic of China	RMB20,000,000	100	100	Security systems and software design, development and distribution
Sun Joyous Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Taylor Investments Ltd.	British Virgin Islands	US$1	100	100	Investment holding
Transcar Investments Limited	British Virgin Islands	US$1	100	100	Investment holding

Name	Place of incorporation/ registration	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company 2011	2010	Principal activities
Tristan Limited[iii]	Hong Kong	HK$20	–	100	Property development and investment
Wiggans Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Winart Investments Limited	British Virgin Islands	US$1	100	100	Securities investment
Winrise Investment Limited	Hong Kong	HK$2	100	100	Securities investment
Yield Star Limited	British Virgin Islands	US$1	100	100	Investment holding
昆明中美二戰友誼公園文化傳播有限公司[ii]	The People's Republic of China	RMB5,000,000	87	–	Project management

(i) These subsidiaries are registered as wholly-foreign-owned enterprises under the PRC law.

(ii) This subsidiary is registered as a domestic enterprise under the PRC law.

(iii) These subsidiaries were disposed of to P&R Holdings (note 17) during the year.

Except for Paliburg Development BVI Holdings Limited and Paliburg Property Development (Shanghai) Co., Ltd., all of the above subsidiaries are indirectly held by the Company.

All of the above subsidiaries operate in the places of their incorporation/registration.

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.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before tax to net cash flows from/(used in) operating activities

	2011 HK$'million	2010 HK$'million
Profit before tax	**1,484.5**	2,151.1
Adjustments for:		
Finance costs	**0.9**	0.1
Share of profit of a jointly controlled entity	**(41.4)**	–
Share of profits and losses of associates	**(2,005.9)**	(1,709.3)
Interest income	**(12.4)**	(4.3)
Dividend income	**(1.0)**	(1.1)
Gain on disposal of a disposal group classified as held for sale	**(66.2)**	–
Loss on disposal of an associate	**–**	3.9
Gain on disposal of an investment property	**(0.2)**	–
Unrealised profit eliminated on sale of properties	**75.7**	–
Loss on disposal of financial assets at fair value through profit or loss	**12.3**	–
Depreciation	**0.6**	0.6
Reversal of impairment of loans receivable	**(0.5)**	(2.3)
Write-down of inventories to net realisable value	**0.5**	0.6
Fair value gains on investment properties	**–**	(0.1)
Fair value losses/(gains), net, on financial assets at fair value through profit or loss	**673.3**	(468.3)
Equity-settled share option expenses	**–**	0.3
	120.2	(28.8)
Increase in financial assets at fair value through profit or loss	**(34.5)**	(2.4)
Decrease/(Increase) in inventories	**(5.8)**	2.5
Decrease/(Increase) in debtors, deposits and prepayments	**37.4**	(29.7)
Decrease in creditors and accruals	**(12.1)**	(125.3)
Increase/(Decrease) in deposits received	**(0.1)**	0.1
Cash generated from/(used in) operations	**105.1**	(183.6)
Hong Kong profits tax paid	**(0.3)**	(0.6)
Net cash flows from/(used in) operating activities	**104.8**	(184.2)

(b) Cash and cash equivalent balances

At the end of the reporting period, the cash and cash equivalent balances of the Group amounted to HK$138.6 million (2010 - HK$74.9 million) were held by certain subsidiaries operating in the PRC where exchange controls apply.

34. CONNECTED AND RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transactions during the year:

	Notes	2011 HK$'million	2010 HK$'million
The listed ultimate holding company:			
Management fees	(i)	**9.1**	8.6
Associates:			
Gross construction fee income	(ii)	**5.9**	5.6
Gross development consultancy fee income	(iii)	**0.6**	3.2
Gross income in respect of security systems and products and other software	(iv)	**2.2**	3.8
Lease rental	(v)	**–**	24.0
Hotel management and marketing fees	(vi)	**–**	1.2
A jointly controlled entity:			
Sale of properties	(vii)	**752.0**	–
A then jointly controlled entity of an associate*:			
Gross construction fee income	(viii)	**2.6**	–

* Certain directors of this related company are also the Directors of the Company.

Notes:

(i) The management costs included rentals and other overheads allocated from CCIHL either on the basis of specific attribution or by reference to a predetermined ratio assessed by the management of CCIHL, RHIHL and the Company based on the distribution of job responsibilities and the estimated time to be spent by the relevant staff in serving each of the three groups.

(ii) The construction fee income was received from (i) the RHIHL Group for providing repairs and maintenance and construction works for the hotel properties, and (ii) Regal REIT for conversion of part of an investment property to a hotel. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.

(iii) The gross development consultancy fee income was charged to (i) the RHIHL Group for advisory, supervisory, architectural and design services provided in connection with the room extension and other renovation projects of the hotel properties operated by the RHIHL Group, and (ii) Regal REIT for conversion of part of an investment property to a hotel. The fees were charged at agreed rates of the estimated cost of individual projects.

(iv) The fees were received from the RHIHL Group for the purchases and maintenance services of the security systems and products and other software installed in the hotels operated by the RHIHL Group. The fees were charged based on cost plus a margin depending on the nature and location of the work provided.

(v) The lease rental was paid to Sonnix Limited ("Sonnix"), the owner of an investment property, at HK$2.0 million per month in connection with the leasing of the investment property from Sonnix for hotel operation and sub-leasing businesses. Sonnix was disposed of to Regal REIT during the prior year as detailed in note 34(b) below.

(vi) The hotel management and marketing fees were paid to the RHIHL Group in connection with the provision of hotel management and marketing services to a hotel operated by the Group for a period commencing from 24th December, 2009 to 31st December, 2010. The hotel management and marketing fees were charged at 5% (subject to a minimum amount of HK$80,000 per month) and 1% of the gross revenues generated from that hotel respectively.

(vii) The Group entered into a sale and purchase agreement on 6th May, 2011 for the sale to P&R Holdings of the entire equity interests in two then wholly owned subsidiaries which own two development sites through their respective sole wholly owned subsidiaries at an aggregate sale consideration of HK$752.0 million which was equivalent to the then market valuations of the properties as appraised by an independent professional valuer. The transaction has been duly completed on the same day resulting in a profit on disposal of HK$75.7 million after elimination of unrealised profit of HK$75.7 million.

(viii) The construction fee income was received from Chest Gain Development Limited for providing repairs and maintenance and construction works for a property development project. The fees were negotiated based on cost plus a margin and/or awarded through competitive tendering process.

The Directors of the Company are of the opinion that the above transactions were entered into in the normal and usual course of business.

(b) Other related party transactions:

During 2009, the Group entered into a sale and purchase agreement (the "S&P Agreement") for the sale to Regal REIT of 75% equity interest in a then wholly owned subsidiary which owns an investment property through its sole wholly owned subsidiary, Sonnix, at a sale consideration based on an agreed discounted property value of HK$468.0 million (the "Disposal"). Upon completion of the Disposal in October 2009, Sonnix ceased to be a wholly owned subsidiary of the Group and became an associate thereafter. The Group had also, inter alia, granted to Regal REIT an option exercisable by Regal REIT during the period from 1st November, 2010 to 28th February, 2011 to acquire from the Group the remaining 25% equity interest in the subject group.

In addition, the Group had granted to Regal REIT a put right exercisable at Regal REIT's discretion to transfer back to the Group of the 75% equity interest in the subject group, with a view to unwinding the transactions under the S&P Agreement, if (i) the Asset Enhancement Programme (as referred to below), or (ii) the amendment of the deed of mutual covenant and management agreement relating to the building at which the investment property is located to permit the intended use of the investment property after completion of the Asset Enhancement Programme, would not be completed by 31st December, 2010.

Further, the Company had provided a several guarantee in respect of a bank loan of a principal amount of up to HK$211.0 million made available to Sonnix in the amount proportional to the Group's equity interest in Sonnix. Pursuant to the shareholders' agreement in respect of the subject group, the Company may also provide a several guarantee proportionate to the Group's equity interest in Sonnix in respect of any refinancing of the bank loan with a maximum amount of HK$250.0 million.

As provided in the S&P Agreement, the Group had undertaken to complete at its own costs an asset enhancement programme (the "Asset Enhancement Programme") for the conversion of part of the investment property owned by Sonnix to a 50-room hotel. The Asset Enhancement Programme was subsequently completed in December 2009 at a cost of approximately HK$30.0 million.

During the prior year, Regal REIT had exercised the option to acquire from the Group the remaining 25% equity interest in the subject group at a consideration of HK$90.5 million based on the pre-agreed undiscounted valuation for the property of HK$479.0 million and the transaction had been duly completed on 31st December, 2010 resulting in a loss on disposal of HK$3.9 million.

(c) Outstanding balances with related parties:

	Notes	2011 HK$'million	2010 HK$'million
Due from associates	(i)	**276.9**	260.0
Due from a jointly controlled entity	(ii)	**8.2**	–
Due from a jointly controlled entity of the listed associate	(ii)	**–**	0.1
Due from a related company	(ii)	**1.3**	1.3
Due to a fellow subsidiary	(iii)	**(1.8)**	(0.9)
Due to the listed associate	(iv)	**(1.7)**	(3.0)
Loan to a jointly controlled entity	(v)	**970.0**	–
Loans to associates	(vi)	**–**	156.0

Notes:

(i) Except for an amount of HK$276.1 million (2010 - HK$258.4 million) included in investments in associates in note 18 to the financial statements, the remaining balance is included in debtors, deposits and prepayments in note 24 to the financial statements.

(ii) The amounts are included in debtors, deposits and prepayments in note 24 to the financial statements.

(iii) The amounts are included in creditors and accruals in note 26 to the financial statements.

(iv) Except for an amount of HK$0.1 million (2010 - HK$0.1 million) included in investments in associates in note 18 to the financial statements, the remaining balance is included in creditors and accruals in note 26 to the financial statements.

(v) Details of loan to a jointly controlled entity are included in note 17 to the financial statements.

(vi) Details of loans to associates are included in note 18 to the financial statements.

(d) Compensation of key management personnel of the Group:

	2011 HK$'million	2010 HK$'million
Short term employee benefits	**9.3**	8.4
Staff retirement scheme contributions	**0.6**	0.6
Equity-settled share option expense	**–**	0.3
Total compensation paid to key management personnel	**9.9**	9.3

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

The related party transactions set out in notes 34(a)(i) and (v) and 34(b) above and certain of those transactions set out in notes 34(a)(ii) and (iii) above also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules to the Company. The transactions set out in note 34(a)(i) are exempted from relevant disclosures and other requirements, including, inter alia, independent shareholders' approval pursuant to, where applicable, rules 14A.31(8) and 14A.33(2) of the Listing Rules. Relevant announcement and other requirements, including, inter alia, shareholders' or independent shareholders' approval (where required) in accordance with the Listing Rules with respect to the related party transactions set out in notes 34(a)(ii), (iii) and (v) and 34(b) have been complied with by the Company.

The related party transactions set out in notes 34(a)(iv) and (vi) to (viii) above and certain of those transactions set out in notes 34(a)(ii) and (iii) above did not constitute connected transactions as defined in the Listing Rules to the Company.

35. PLEDGE OF ASSETS

At the end of the reporting period, the held-to-maturity investment of HK$36.7 million (2010 - Nil) and certain ordinary shares in the listed associate with a market value of HK$224.3 million (2010 - HK$293.9 million) were pledged to secure general banking facilities granted to the Group.

36. CONTINGENT LIABILITIES

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

	GROUP		COMPANY	
	2011 HK$'million	**2010 HK$'million**	**2011 HK$'million**	**2010 HK$'million**
Corporate guarantees provided in respect of attributable share of banking facilities granted to:				
A subsidiary	**–**	–	**50.0**	50.0
A subsidiary of the jointly controlled entity	**170.0**	–	**170.0**	–
An associate*	**–**	51.2	**–**	51.2
	170.0	51.2	**220.0**	101.2

* The associate was disposed of to Regal REIT and became its wholly owned subsidiary during the prior year.

As at 31st December, 2011, the banking facility granted to a subsidiary subject to a guarantee given by the Company was fully utilised (2010 - Nil). The banking facility granted to a subsidiary of the jointly controlled entity subject to a guarantee given by the Group and the Company was utilised to the extent of HK$90.0 million (2010 - Nil).

At 31st December, 2010, the banking facility granted to an associate subject to a guarantee given by the Group and the Company was utilised to the extent of approximately HK$51.2 million.

37. OPERATING LEASE ARRANGEMENTS

The Group leases certain office properties and area under operating lease arrangements. Leases for the office properties and area are negotiated for terms ranging from 1 to 3 years.

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

	GROUP	
	2011 HK$'million	**2010 HK$'million**
Within one year	**0.3**	0.7
In the second to fifth years, inclusive	**0.1**	0.4
	0.4	1.1

38. COMMITMENTS

In addition to the Group's share of the jointly controlled entity's own capital commitments detailed in note 17 and the operating lease commitments detailed in note 37 above, the Group had the following outstanding commitments at 31st December, 2011:

	2011 HK$'million	**2010 HK$'million**
Capital commitments in respect of purchases of properties:		
Contracted, but not provided for	**–**	451.3

39. FINANCIAL INSTRUMENTS BY CATEGORY

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

2011 **GROUP**

Financial assets

	Financial assets at fair value through profit or loss					
	- designated as such upon initial recognition HK$'million	- held for trading HK$'million	Available-for-sale investments HK$'million	Loans and receivables HK$'million	Held-to-maturity investment HK$'million	Total HK$'million
Available-for-sale investments (note 19)	–	–	3.6	–	–	3.6
Financial assets at fair value through profit or loss (note 20)	348.3	112.2	–	–	–	460.5
Held-to-maturity investment (note 21)	–	–	–	–	36.7	36.7
Loans receivable (note 22)	–	–	–	3.0	–	3.0
Trade debtors (note 24)	–	–	–	11.0	–	11.0
Other financial assets included in debtors, deposits and prepayments	–	–	–	73.2	–	73.2
Time deposits	–	–	–	1,317.6	–	1,317.6
Cash and bank balances	–	–	–	160.6	–	160.6
	348.3	112.2	3.6	1,565.4	36.7	2,066.2

Financial liabilities

	Financial liabilities at amortised cost HK$'million
Due to an associate (note 18)	0.1
Trade creditors (note 26)	1.6
Other financial liabilities included in creditors and accruals	28.1
Deposits received (note 25)	0.2
Interest bearing bank borrowings (note 28)	83.0
	113.0

2010 **GROUP**

Financial assets

	Financial assets at fair value through profit or loss			
	- designated as such upon initial recognition HK$'million	- held for trading HK$'million	Loans and receivables HK$'million	Total HK$'million
Financial assets at fair value through profit or loss (note 20)	1,050.5	120.5	–	1,171.0
Loans receivable (note 22)	–	–	3.2	3.2
Trade debtors (note 24)	–	–	18.2	18.2
Other financial assets included in debtors, deposits and prepayments	–	–	60.2	60.2
Time deposits	–	–	219.9	219.9
Cash and bank balances	–	–	197.2	197.2
	1,050.5	120.5	498.7	1,669.7

Financial liabilities

	Financial liabilities at amortised cost HK$'million
Due to an associate (note 18)	0.1
Trade creditors (note 26)	4.2
Other financial liabilities included in creditors and accruals	22.3
Deposits received (note 25)	0.3
	26.9

COMPANY

Financial liabilities	2011 Financial liabilities at amortised cost HK$'million	2010 Financial liabilities at amortised cost HK$'million
Financial liabilities included in creditors and accruals	**2.4**	1.4

40. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts of the Group's and the Company's financial assets and financial liabilities approximate to their fair values at the end of the reporting period.

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

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

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

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

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

Assets measured at fair value :

As at 31st December, 2011

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Available-for-sale investments:				
Equity investments	**–**	**–**	**3.6**	**3.6**
Financial assets at fair value through profit or loss:				
Equity investments	**255.4**	**–**	**–**	**255.4**
Debt investments	**–**	**205.1**	**–**	**205.1**
	255.4	**205.1**	**3.6**	**464.1**

As at 31st December, 2010

	Level 1 HK$'million	Level 2 HK$'million	Level 3 HK$'million	Total HK$'million
Financial assets at fair value through profit or loss:				
Equity investments	510.0	–	–	510.0
Debt investments	–	661.0	–	661.0
	510.0	661.0	–	1,171.0

The movements in fair value measurements in Level 3 during the year are as follows:

	2011 HK$'million
Available-for-sale investments – unlisted:	
At 1st January	–
Purchases	4.1
Total losses recognised in other comprehensive income	(0.5)
At 31st December	3.6

The Company did not have any financial assets or financial liabilities measured at fair value as at 31st December, 2011 and 2010.

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

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest bearing bank borrowings, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as available-for-sale investments, financial assets at fair value through profit or loss, held-to-maturity investment, trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The Directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group adopts prudent strategies on its risk management. As the Group's exposure to these risks is endeavoured to be kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risks relates primarily to the Group's borrowings with a floating interest rate. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 28 to the financial statements. The Group's objective is to obtain the most favourable interest rates available for its borrowings. At 31st December, 2011, approximately 39.8% of the Group's interest bearing borrowings bore interest at fixed rate.

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

	GROUP		
	Change in basis points	Change in profit before tax HK$'million	Change in equity* HK$'million
2011			
Hong Kong dollar	**100**	**0.5**	**–**
2010			
Hong Kong dollar	100	–	–

* Excluding retained profits

Credit risk

The Group's major exposure to the credit risk arises from the default of the trade debtors, with a maximum exposure equal to their carrying amounts in the consolidated statement of financial position. The Group only grants credits after due credit risk assessments. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale investments, held-to-maturity investment, loans receivable, and other financial assets included in debtors, deposits and prepayments, 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. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in note 24 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group will raise funds from different sources, including through the financial market or realisation of its assets, if required.

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

	GROUP	
	2011 Within 1 year or on demand HK$'million	**2010 Within 1 year or on demand HK$'million**
Due to an associate	**0.1**	0.1
Trade creditors	**1.6**	4.2
Other payables	**28.1**	22.3
Deposits received	**0.2**	0.3
Interest bearing bank borrowings	**84.1**	–
Corporate guarantee provided in respect of attributable share of outstanding banking facilities granted to:		
A subsidiary of the jointly controlled entity	**90.0**	–
An associate*	**–**	51.2
	204.1	78.1

	COMPANY	
	2011 Within 1 year or on demand HK$'million	**2010 Within 1 year or on demand HK$'million**
Creditors and accruals	**2.4**	1.4
Corporate guarantees provided in respect of attributable share of outstanding banking facilities granted to:		
A subsidiary	**50.0**	–
A subsidiary of the jointly controlled entity	**90.0**	–
An associate*	**–**	51.2
	142.4	52.6

* The associate was disposed of to Regal REIT and became its wholly owned subsidiary during the prior year.

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 investments classified as financial assets at fair value through profit or loss (note 20) and available-for-sale investments (note 19) as at 31st December, 2011. The Group's listed investments are valued at quoted market prices and the unlisted investments are either valued by an independent professional valuer using valuation techniques based on quoted market price of the underlying listed security or carried at the net asset value provided by financial institutions at the end of the reporting period.

The following table demonstrates the sensitivity to a 5% change in the fair values of the equity investments and the underlying listed securities of the unlisted investments that are carried at fair value, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the income statement.

	Carrying amount of investments HK$'million	Change in profit before tax HK$'million	Change in equity* HK$'million
2011			
Listed investments:			
– At fair value through profit or loss	**255.4**	**12.8**	**–**
Unlisted investments:			
– Available-for-sale	**3.6**	**–**	**0.2**
– At fair value through profit or loss	**205.1**	**12.7**	**–**
2010			
Listed investments:			
– At fair value through profit or loss	510.0	25.5	–
Unlisted investments:			
– At fair value through profit or loss	661.0	32.0	–

* Excluding retained profits

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and enhance shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. Capital represents equity attributable to equity holders of the parent. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements except for the undertakings under a corporate guarantee given by the Company for banking facilities granted to a subsidiary of the jointly controlled entity, to maintain a minimum consolidated tangible net worth, which has been complied with during the year. No changes were made in the objectives, policies or processes for managing capital during the years ended 31st December, 2011 and 31st December, 2010.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21st March, 2012.

ERNST & YOUNG
安 永

To the shareholders of Paliburg Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Paliburg Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 43 to 124, which comprise the consolidated and company statements of financial position as at 31st December, 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

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

Ernst & Young
Certified Public Accountants

22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
21st March, 2012

As at 31st December, 2011

PROPERTIES FOR DEVELOPMENT AND/OR SALE

	Description	Use	Approx. Area	Stage of completion (completion date)	Percentage of interest attributable to the Company
(1)	Larvotto 8 Praya Road, Ap Lei Chau, Hong Kong	Primarily residential	Site area - 180,511 sq. ft. Gross floor area - 913,000 sq. ft.	Certificate of Compliance issued in March 2011	30
(2)	Certain carparking spaces at Villa Art Deco, 9 Town Park Road South, Yuen Long, Hong Kong	Carparking spaces	–	–	100
(3)	Certain carparking spaces at Park Royale, Yuen Long Town Lot No. 450, 38 Town Park Road North, Yuen Long, Hong Kong	Carparking spaces	–	–	100
(4)	Nos.132-140 Bonham Strand, Sheung Wan, Hong Kong	Hotel	Site area - approx. 5,430 sq. ft. Gross floor area - approx. 79,800 sq. ft. (248 guestrooms and suites)	Superstructure works commenced (expected to be completed in 4th quarter of 2013)	74.7
(5)	Nos.5-7 Bonham Strand West and Nos.169-171 Wing Lok Street, Sheung Wan, Hong Kong	Hotel	Site area - approx. 3,710 sq. ft. Gross floor area - approx. 56,350 sq. ft. (98 guestrooms and suites)	Foundation works commenced (anticipated to be completed in 4th quarter of 2014)	74.7
(6)	Nos.14-20 Merlin Street, North Point, Hong Kong	Hotel	Site area - approx. 5,300 sq. ft. Gross floor area - approx. 75,490 sq. ft. (351 guestrooms and suites)	Foundation works in progress (scheduled for completion in 3rd quarter of 2014)	74.7

As at 31st December, 2011

	Description	Use	Approx. Area	Stage of completion (completion date)	Percentage of interest attributable to the Company
(7)	Lot No. 4309 in Demarcation District No. 124, Tan Kwai Tsuen Road, Yuen Long, New Territories, Hong Kong	Residential	Site area - approx. 120,470 sq. ft. Gross floor area - approx. 120,470 sq. ft. (36 houses and 134 apartments)	Building plans submitted for government approval	74.7
(8)	Certain luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Site area for the whole development - 571,848 sq. ft. Gross floor area of 14 allocated houses held - approx. 69,732 sq. ft.	Completed in March 2004	49.4
(9)	Development site at south of Xindu Main Road and both sides of Xingle Road, Banqiao Village, Xindu County, Xindu District, Chengdu, Sichuan Province, PRC	Hotel and commercial complex/ residential	Site area for the whole development- 1,204,148 sq. ft. Total gross floor area - approx. 5,360,000 sq. ft. First stage • a 300-room hotel • 340 residential apartment units with car parks with total gross floor area - approx. 489,000 sq. ft. Stage two • residential development with total gross floor area of approx. 1,900,000 sq. ft. Stage three • commercial and office accommodations with total gross floor area of approx. 1,500,000 sq. ft.	First stage <u>Hotel</u> • Superstructural works in progress (Soft opening presently scheduled for 2nd quarter of 2013) <u>Residential units</u> • Superstructural works commenced (Completion scheduled for 1st quarter of 2013)	59.7

As at 31st December, 2011

PROPERTIES FOR INVESTMENT

Description	Use	Lease	Percentage of interest attributable to the Company
(1) 7 luxury residential houses at Regalia Bay, 88 Wong Ma Kok Road, Stanley, Hong Kong	Residential	Medium term	49.4
(2) Regal Airport Hotel 9 Cheong Tat Road, Hong Kong International Airport, Chek Lap Kok, New Territories, Hong Kong	Hotel	Medium term	36.8
(3) Regal Hongkong Hotel 88 Yee Wo Street, Causeway Bay, Hong Kong	Hotel	Long term	36.8
(4) Regal Kowloon Hotel 71 Mody Road, Tsimshatsui, Kowloon, Hong Kong	Hotel	Long term	36.8
(5) Regal Oriental Hotel 30-38 Sa Po Road and Shops 3-11 on G/F including Cockloft of Shops 5-7 and the whole of 1/F, Po Sing Court, 21-25 Shek Ku Lung Road, 40-42 Sa Po Road and 15-29 Carpenter Road, Kowloon City, Kowloon, Hong Kong	Hotel	Medium term	36.8

As at 31st December, 2011

Description	Use	Lease	Percentage of interest attributable to the Company
(6) Regal Riverside Hotel 34-36 Tai Chung Kiu Road, Shatin, New Territories, Hong Kong	Hotel	Medium term	36.8
(7) Regal iClub Building Shops A, B and C on G/F, Flat Roof on 3/F, Whole of 5-12/F, 15-23/F and 25-29/F, Eastern and Western Elevations of External Walls, Architectural Feature at Roof Top and Upper Roof, 211 Johnston Road, Wanchai, Hong Kong	Hotel/ commercial	Long term	36.8

Published Five Year Financial Summary

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

RESULTS

	Year ended 31st December,				
	2011 HK$'million	**2010 HK$'million**	**2009 HK$'million**	**2008 HK$'million**	**2007 HK$'million**
Revenue	**436.1**	120.0	162.6	280.0	334.5
Operating profit/(loss)	**(561.9)**	441.9	312.8	(95.7)	157.6
Finance costs	**(0.9)**	(0.1)	(1.5)	(5.0)	(20.4)
Share of profits and losses of:					
A jointly controlled entity	**41.4**	–	–	–	–
Associates	**2,005.9**	1,709.3	119.9	(444.6)	1,351.6
Profit/(Loss) before tax	**1,484.5**	2,151.1	431.2	(545.3)	1,488.8
Income tax	**(0.4)**	(0.6)	(0.6)	(1.4)	1.8
Profit/(Loss) for the year before allocation between equity holders of the parent and non-controlling interests	**1,484.1**	2,150.5	430.6	(546.7)	1,490.6
Attributable to:					
Equity holders of the parent	**1,484.2**	2,150.5	430.6	(546.7)	1,490.6
Non-controlling interests	**(0.1)**	–	–	–	–
	1,484.1	2,150.5	430.6	(546.7)	1,490.6

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	31st December,				
	2011 HK$'million	2010 HK$'million	2009 HK$'million	2008 HK$'million	2007 HK$'million
Property, plant and equipment	**1.7**	1.6	1.8	1.9	3.0
Investment properties	**0.2**	0.5	0.4	358.3	380.3
Investment in a jointly controlled entity	**940.9**	–	–	–	–
Investments in associates	**6,043.3**	6,075.0	4,390.2	4,135.2	4,621.6
Available-for-sale investments	**3.6**	–	–	3.2	10.0
Financial assets at fair value through profit or loss	**348.3**	957.1	583.9	211.3	308.5
Loans receivable	**3.0**	3.2	5.5	6.5	9.7
Deferred tax assets	**–**	–	–	7.6	8.2
Deposits for purchase of properties	**–**	42.6	–	–	–
Current assets	**1,730.8**	973.4	736.5	744.1	737.0
Total assets	**9,071.8**	8,053.4	5,718.3	5,468.1	6,078.3
Current liabilities	**(125.0)**	(369.4)	(493.4)	(424.8)	(614.7)
Interest bearing bank borrowings	**–**	–	–	(214.6)	(50.0)
Total liabilities	**(125.0)**	(369.4)	(493.4)	(639.4)	(664.7)
Non-controlling interests	**(0.9)**	(0.2)	(0.2)	(0.2)	(0.2)

www.paliburg.com.hk