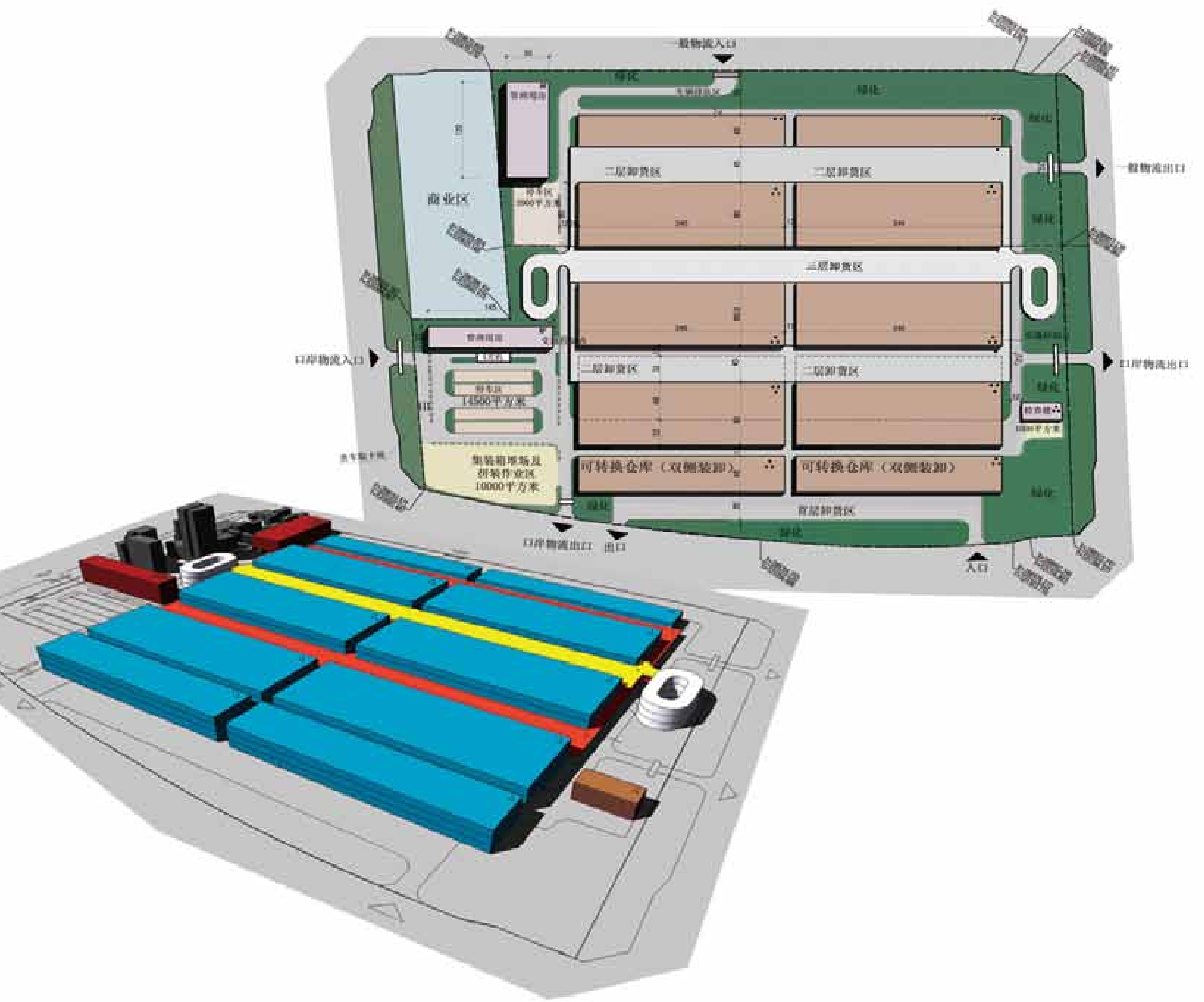
北京建設 BPHL

BEIJING PROPERTIES (HOLDINGS) LTD

(incorporated in Bermuda with limited liability)

Stock Code: 925

Annual Report **2011**



CONTENTS

Beijing Properties (Holdings) Limited
Annual Report 2011

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. ZHOU Si *(Chairman)* (appointed on 1 January 2011)
Mr. ANG Keng Lam *(Vice Chairman)*
(appointed on 1 January 2011)
Mr. YU Li *(Vice Chairman)* (appointed on 1 January 2011)
Mr. QIAN Xu *(Chief Executive Officer)*
Mr. SIU Kin Wai *(Chief Financial Officer)*
Mr. XU Taiyan (appointed on 1 January 2011)
Mr. JIANG Xinhao (appointed on 1 January 2011)
Ms. MENG Fang (appointed on 1 January 2011)
Mr. YU Luning (appointed on 1 January 2011)
Mr. LIU Xueheng (appointed on 1 January 2011)
Mr. LEI Zhengang (resigned on 1 January 2011)

Non-Executive Director

Mr. LIN Chun Kuei

Independent Non-Executive Directors

Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew
Mr. NG Tang Fai, Ernesto
Mr. ZHU Wuxiang (appointed on 1 January 2011)
Mr. James CHAN (appointed on 3 June 2011)

AUDIT COMMITTEE

Mr. MA Chiu Cheung, Andrew *(Chairman)*
Mr. GOH Gen Cheung
Mr. NG Tang Fai, Ernesto
Mr. ZHU Wuxiang (appointed on 4 May 2011)
Mr. James CHAN (appointed on 3 June 2011)

INVESTMENT AND RISK MANAGEMENT COMMITTEE (ESTABLISHED ON 4 MAY 2011)

Mr. ANG Keng Lam *(Chairman)* (appointed on 4 May 2011)
Mr. QIAN Xu (appointed on 4 May 2011)
Mr. JIANG Xinhao (appointed on 4 May 2011)
Ms. MENG Fang (appointed on 4 May 2011)
Mr. SIU Kin Wai (appointed on 4 May 2011)
Mr. YU Luning (appointed on 4 May 2011)
Mr. LIU Xueheng (appointed on 4 May 2011)
Mr. ZHU Wuxiang (appointed on 4 May 2011)

NOMINATION COMMITTEE

Mr. NG Tang Fai, Ernesto *(Chairman)*
Mr. GOH Gen Cheung
Mr. MA Chiu Cheung, Andrew
Mr. QIAN Xu
Ms. MENG Fang (appointed on 4 May 2011)
Mr. YU Luning (appointed on 4 May 2011)
Mr. James CHAN (appointed on 3 June 2011)
Mr. LIN Chun Kuei (resigned on 4 May 2011)

REMUNERATION COMMITTEE

Mr. GOH Gen Cheung *(Chairman)*
Mr. MA Chiu Cheung, Andrew
Mr. NG Tang Fai, Ernesto
Mr. QIAN Xu (resigned on 4 May 2011)
Mr. YU Luning (appointed on 4 May 2011)
Mr. James CHAN (appointed on 3 June 2011)
Mr. LIN Chun Kuei (resigned on 4 May 2011)

COMPANY SECRETARY

Mr. SIU Kin Wai

STOCK CODE

925

AUTHORIZED REPRESENTATIVES

Mr. QIAN Xu
Mr. SIU Kin Wai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

66th Floor,
Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong
Tel: (852) 2511 6016
Fax: (852) 2598 6905

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street, Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITORS

Ernst & Young Certified Public Accountants
(appointed on 28 July 2011)
Deloitte Touche Tohmatsu Certified Public Accountants
(resigned on 28 July 2011)

WEBSITE

www.bphl.com.hk

PRINCIPAL BANKERS

Citic Bank International Limited
Bank of China (Hong Kong) Limited
Chinatrust Bank (USA)
DBS Bank Ltd, Hong Kong Branch
Dah Sing Bank, Ltd
Shanghai Pudong Development Bank Co. Ltd.
Beijing Chaoyang Sub-branch

GROUP STRUCTURE

As at 31 March 2012

DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors (the "Board") currently consists of sixteen directors, comprising ten executive directors, one non-executive director and five independent non-executive directors.

CHAIRMAN

MR. ZHOU SI

Aged 55, *Chairman,* Mr. Zhou is a Director of Beijing Enterprises Group Company Limited, a controlling shareholder of the Company (the "BE Group"), the Vice-Chairman and an Executive Director of Beijing Enterprise Holdings Limited ("BEHL"), a company listed on the Stock Exchange of Hong Kong Limited (the "SEHK") (SEHK stock code: 392) and the Chairman of Beijing Enterprises Group Real-Estate Co., Ltd. (the "BE Real Estate"). Both BEHL and BE Real Estate are subsidiaries of the BE Group. Mr. Zhou obtained his bachelor's degree in science (physics) from Capital Normal University in 1978 and an MBA degree from School of Economics and Management of Tsinghua University in 1998. From 1984 to 2003, Mr. Zhou was the Chief Officer of the General Planning Division and subsequently Deputy Division Head, Division Head, Deputy Director and Senior Economist of the Planning Division of Beijing Municipal Management Commission. Mr. Zhou has extensive experience in economics, finance and enterprise management. Mr. Zhou was appointed as an Executive Director and the Chairman of the Group since 1 January 2011.

EXECUTIVE DIRECTOR

MR. ANG KENG LAM

Aged 65, *Vice Chairman,* Mr. Ang is the Chairman of Kerry Logistics Network Limited and a Vice Chairman of Kerry Holdings Limited, which is the controlling shareholder of the Kerry Properties Limited (SEHK stock code: 683). Mr. Ang is also the Chairman of China World Trade Center Co. Limited (Shanghai A share stock code: 600007). He is a member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Ang attended the University of Western Australia, where he gained his bachelor's degree in civil engineering and the University of Toronto, where he obtained a MBA degree. He also attended and completed the International Advanced Management Programme at Harvard Business School in 1998. Mr. Ang was appointed a consultant of the Company since 9 April 2010 and was appointed as an Executive Director and then the Vice Chairman of the Group since 1 January 2011 and 31 March 2011 respectively.

MR. YU LI

Aged 48, *Vice Chairman*, Mr. Yu is the General Manager and an Executive Director of the BE Real Estate. Mr. Yu obtained an Executive MBA degree from the Peking University. Mr. Yu has extensive experience in corporate management. Mr. Yu was appointed as an Executive Director and then the Vice Chairman of the Group since 1 January 2011 and 31 March 2011 respectively.

DIRECTORS AND SENIOR MANAGEMENT

MR. QIAN XU

Aged 48, *Chief Executive Officer*, Mr. Qian is an Executive Director of the BE Real Estate. Mr. Qian graduated from the Economics and Management Faculty of the Beijing Industrial University with a bachelor's degree in Economics and the EMBA degree from Tsinghua University. Mr. Qian has extensive experience in mergers and acquisitions, corporate restructuring and financial management. Mr. Qian is a Director of Brilliant Bright Holdings Limited ("Brilliant Bright"), which is a controlling shareholder of the Company. Mr. Qian was appointed as an Executive Director of the Group since July 2009.

MR. SIU KIN WAI

Aged 43, *Chief Financial Officer and Company Secretary*, Mr. Siu graduated from the City University of Hong Kong with a bachelor's degree in Accountancy and is a fellow member of the Association of Chartered Certified Accountants and members of the Hong Kong Institute of Certified Public Accountants and Institute of Chartered Accountants in England and Wales. Mr. Siu has extensive experience in financial management and corporate advisory and assurance. Mr. Siu is a Director of Brilliant Bright, which is a controlling shareholder of the Company and serves as the Chief Financial Officer of Beijing Holdings Limited ("BHL"), which is the holding company of Brilliant Bright. Mr. Siu is also the Independent Non-Executive Director of Agritrade Resources Limited (SEHK stock code: 1131) since August 2010. Mr. Siu was appointed as an Executive Director of the Group since July 2009.

MR. XU TAIYAN

Aged 58, is a Vice President and the Company Secretary of the BE Group and an Executive Director of the BE Real Estate. Mr. Xu obtained his bachelor's degree in economics from the Renmin University of China. Mr. Xu has extensive experience in corporate management. Mr. Xu was appointed as an Executive Director of the Group since 1 January 2011.

MR. JIANG XINHAO

Aged 47, is a Vice General Manager of the BE Group, an Executive Director of the BE Real Estate, an Executive Director and a Vice-President of BEHL (SEHK stock code: 392) and an Executive Director of Beijing Enterprises Water Group Limited ("BE Water") (SEHK stock code: 371), BEHL and BE Water are respectively subsidiary and associated company of the BE Group. Mr. Jiang graduated from Fudan University in 1987 with a bachelor's degree in law, and then in 1992 with a master's degree in law. Mr. Jiang was a lecturer at Peking University between 1992 and 1994. From 2000 to 2005, Mr. Jiang was a Manager of the investment development department of BHL, and the General Manager of Beijing BHL Investment Center, a wholly owned subsidiary of BHL. He served as a Policy Analyst of the Chinese State Commission of Restructuring Economic System from 1987 to 1989. Mr. Jiang has extensive experience in corporate finance and corporate management. Mr. Jiang was appointed as an Executive Director of the Group since 1 January 2011.

DIRECTORS AND SENIOR MANAGEMENT

MS. MENG FANG

Aged 48, is a Vice General Manager of the BE Real Estate. Ms. Meng graduated from Chinese Academy of Social Sciences. Ms. Meng has extensive experience in investment management, administration, human resources and corporate management. Ms. Meng was appointed as an Executive Director of the Group since 1 January 2011.

MR. YU LUNING

Aged 50, is a director of BHL Investment Consulting Co., Ltd ("BICC"), a subsidiary of the Company. Mr. Yu graduated from the Economics and Management Faculty of the Beijing Industrial University with a bachelor's degree in economics. Mr. Yu has extensive experience in property development, corporate restructuring and financial management. Mr. Yu was appointed as an Executive Director of the Group since 1 January 2011.

MR. LIU XUEHENG

Aged 38, obtained his MBA from the Cambridge University of the United Kingdom. Mr. Liu has extensive experience in the equity investment, corporate finance, IPO listings and mergers and acquisitions. Mr. Liu is a co-founder of Partners Capital International Limited and Vision Finance Group Limited and is currently an Executive Director of Vision Finance Group Limited and the Chief Executive Officer of Vision Finance Active Investments Limited. Mr. Liu was appointed as an Executive Director of the Group since 1 January 2011.

NON-EXECUTIVE DIRECTOR

MR. LIN CHUN KUEI

Aged 61, Mr. Lin is the founder of the Group and has over 20 years of experience in the giftware industry. Before joining the Group's giftware business, he operated the machine and spare parts manufacturing business. He is the father of Mr. Lin Wei Hung, the President of Silkroadgifts, Inc., a subsidiary of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTOR

MR. GOH GEN CHEUNG

Aged 65, Mr. Goh has been appointed as an Independent Non-Executive Director of the Group since November 1997. Mr. Goh has over 30 years of treasury, finance and banking experience. Mr. Goh is an associate member of the Chartered Institute of Bankers and obtained his MBA degree from the University of East Asia in Macau. Mr. Goh also serves as Independent Non-Executive Director of CEC International Holdings Limited (SEHK stock code: 759) and Shinhint Acoustic Link Holdings Limited (SEHK stock code: 2728). Effective from 8 February 2009 and 16 December 2009, Mr. Goh resigned from Independent Non-Executive Directors of Karce International Holdings Company Limited (SEHK stock code: 1159) and China Favors and Fragrances Company Limited (SEHK stock code: 3318), respectively.

DIRECTORS AND SENIOR MANAGEMENT

MR. MA CHIU CHEUNG, ANDREW

Aged 70, Mr. Ma has been appointed as an Independent Non-Executive Director of the Group since September 2004. Mr. Ma is a founder and former Director of Andrew Ma DFK (CPA) Limited and is currently a Director of Mayee Management Limited. He has over 30 years' experience in the field of auditing and finance. He received his bachelor's degree, majoring in economics, from the London School of Economics and Political Science (University of London) in England. Mr. Ma is a fellow member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Directors and the Taxation Institute of Hong Kong. Mr. Ma also serves as Independent Non-Executive Director of Asia Financial Holdings Limited (SEHK stock code: 662), Tanrich Financial Holdings Limited (SEHK stock code: 812), C.P. Pokphand Company Limited (SEHK stock code: 43), China Resources Power Holdings Company Limited (SEHK stock code: 836), and Chong Hing Bank Limited (SEHK stock code: 1111). Mr. Ma is also an Non-Executive Director of Asian Citrus Holdings Limited, a company listed on the AIM Board of The London Stock Exchange (AIM stock code: ACH) and on the SEHK (SEHK stock code: 73)

MR. NG TANG FAI, ERNESTO

Aged 68, Mr. Ng has been appointed as Independent Non-Executive Director of the Group since May 2007. Mr. Ng has extensive experience in the areas of corporate governance, banking and capital markets. Mr. Ng is now the Executive Vice President of Asia Financial Holdings Limited (SEHK stock code: 662).

MR. ZHU WUXIANG

Aged 46, Mr. Zhu is currently a Professor and Deputy Chairman of the Department of Finance of the School of Economics and Management, Tsinghua University. Mr. Zhu graduated from Tsinghua University in 2002, specialising in quantitative economics and has obtained a doctorate degree. He has been studying and working at Tsinghua University since 1982. Mr. Zhu also serves as Independent Non-Executive Directors of Shenzhen Telling Telecommunications Holding Co., Ltd. (Shenzhen A share stock code: 000829), Shandong Shengli Co., Ltd. (Shenzhen A share stock code: 000407), Beijing Yanjing Brewery Co., Ltd (Shenzhen A share stock code: 000729), a subsidiary of BEHL, and Goertek Inc. (Shenzhen A share stock code: 002241). Mr. Zhu was also an Independent Non-Executive Director of ZTE Corporation (SEHK stock code: 763) between July 2003 and July 2009, Ningbo Xinhai Electric Co., Ltd (Shanghai A share Stock code: 002120) between March 2006 and April 2009 and Beijing Teamsun Technology Co., Ltd. (Shanghai A share Stock code: 600410) between April 2007 and May 2010. Mr. Zhu was appointed as an Independent Non-Executive Director of the Group since 1 January 2011.

MR. JAMES CHAN

Aged 58, Mr. Chan has over 30 years of comprehensive experience in design, planning and land matters, and design development and construction management. Mr. Chan obtained his bachelor's degree in Architectural Studies from the University of Hong Kong, a bachelor's degree of Architecture from University of Dundee in Scotland and the EMBA degree from Tsinghua University. Mr. Chan also is an Executive Director and the Project Director of Pacific Century Premium Development Limited (SEHK code: 432). Mr. Chan has been appointed as an Independent Non-Executive Director since 3 June 2011.

DIRECTORS AND SENIOR MANAGEMENT

The senior management team of the Group include:

DONG QILIN

Aged 47, Executive Vice President of BICC. Mr. Dong graduated from University of Science and Technology Beijing (北京科技大學) with a master's degree in Public Administration (MPA) and obtained the professional and technological qualifications of Senior Accountant and Certified Public Accountant of the PRC. Mr. Dong has extensive experience in corporate management and financial operation. He was appointed as the Executive Vice President of BICC in November 2009.

LI CHANGFENG

Aged 39, Vice President of BICC. Mr. Li graduated from Northern Jiaotong University (北方交通大學) with a Master's Degree in Transportation Management and obtained the professional and technological qualification of an Engineer of the PRC. Mr. Li has extensive experience in corporate management and logistics property investment and development. He was appointed as Vice President of BICC in November 2009.

TIAN YUE

Aged 49, Vice President of BICC. Mr. Tian graduated from Northwestern Polytechnical University (西北工業大學) with a bachelor's degree in Industry Electrification. Mr. Tian has extensive experience in corporate management, commercial property operation and property leasing management. He was appointed as Vice President of BICC in June 2010.

GU SHANCHAO

Aged 43, Vice President of BICC. Mr. Gu graduated from Tsinghua University (清華大學) with a master's degree in Real Estates. Mr. Gu has extensive experience in property investment, planning, and operation and sales management. He was appointed as Vice President of BICC in June 2010.

ZHU SHIXING

Aged 42, Vice President of BICC. Mr. Zhu graduated from Beijing Sport University (北京體育大學) and Central University of Finance and Economics (中央財經大學) with a bachelor's degrees in Management and Finance respectively, and obtained the professional and technological qualification of an Assistant Economist of the PRC. Mr. Zhu has extensive experience in real estate project construction management. He was appointed as Vice President of BICC in June 2010.

XIAO LI

Aged 59, Vice President of BICC. Mr. Xiao graduated from Beijing Chaoyang District Workers College (朝陽職工大學) with a professional college diploma in Real Estates and obtained the professional and technological qualification of an Economist of the PRC. Mr. Xiao has extensive experience in corporate management. He was appointed as Vice President of BICC in December 2011.

CHAIRMAN'S STATEMENT

Zhou Si
Chairman

Dear Shareholders,

On behalf of the board of directors (the "Board") of Beijing Properties (Holdings) Limited (the "Company", together with its subsidiaries, the "Group"), I would like to present the annual report for the year ended 31 December 2011.

REVIEW OF SIGNIFICANT EVENTS OF 2011

During the year, we continued to construct the new platform of the Company's new business – investments, developments and operations of logistics, residential and commercial properties. A detailed description of our strategy has been included in the section of "Management Discussion and Analysis". The primary goal of this change is clear: to enrich and enhance the shareholders' value and return. We believe, according to the gradual implementation of our strategy, we will achieve this goal during the period of "Twelfth Five-Year Plan" and shareholders will enjoy this joyful result. Accordingly, we had completed the following transactions since the beginning of 2011 and up to the date of this report:

- Completion of the issue of convertible bonds to get enough funding to implement the business plan;
- Acquisition of the entire equity of Zhi Jian Limited to indirectly obtain the ownership of 161,499 square meters of land and a 33.37% interest in the Pinggu Mafang Logistics Base;
- Formation of joint-venture with the Kerry Group and the Hutchison Group to be the investor, developer and operator of the Majuqiao Logistics Base;
- Disposal of the loss-making manufacturing operations of the gardening business; and
- Acquisition of a land use right of 135,563 square meters in the Shenyang Shenbei New District.

CHAIRMAN'S STATEMENT

Meanwhile, we had also completed the construction works of Owners' City and started the handover of properties to buyers during the year. Accordingly, the sales proceeds of the project were recognized in 2011 which lead to significant improvement to our turnover and net profit for the year.

After completing the above work, shareholders shall understand that our layout in logistics properties in the Beijing area will be established. Our next step is to extend the network to a nationwide status and the plan is under step-by-step implementation currently.

PROSPECT

Building the nationwide network of logistics properties to enjoy the stable rental yield is one of our business goals. Our target is to own a total area of at least four million square meters of rentable areas of logistics properties in the coming five years. If this goal is successfully implemented, our Group will be ranked one of the top two leaders in the industry in the PRC and will bring stable cash return to the Group.

At the meantime, we will also focus on opportunities of residential and commercial properties to enrich the profitability of the Group and this focus will never change. However, since the PRC government continued to carry out stringent real estate measures to control the overheated residential property market and we believe these measures will not be loosened in the near future, the Group will continue to apply prudent strategy to manage this kind of developments if necessary, including the adjustment of development progress, until the residential and commercial properties market regain their rationality and energy.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to sincerely thank the management team and our staff for their diligence, dedication, loyalty, integrity and their strenuous contribution to the Group throughout the year. Furthermore, I would like to express my gratitude to all customers, vendors, partners and shareholders for their patience, trust and support.

Zhou Si
Chairman

Hong Kong, 27 March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2011 (the "Fiscal Year 2011"), the Group recorded a consolidated profit attributable to the owner of the Company of approximately HK$120,944,000, as compared to the consolidated loss of approximately HK$152,753,000 (restated) recorded in the year ended 31 December 2010 (the "Fiscal Year 2010"). The significant increase in consolidated profit of the current year was primarily attributed to the recognition of the revenue from Owners' City, a residential project in the PRC.

MARKET REVIEW AND OUTLOOK

The residential property market plodded forward amid constant restriction policies in 2011. Subsequently, the Beijing Municipal issued the purchase restriction order, and which was soon followed suit by more than 40 cities nationwide. National Development and Reform Commission announced that each commodity house must be marked clearly with a specific price as the ceiling price and the People's Bank of China increased the required reserve ratio and raised the benchmark interest rate, leaving a profound impact on the residential housing transaction volume. These new measures, however, successfully curb the speculation activity and stabilize the residential property market development.

While the residential property market was closely monitored by rigorous measures, the logistics industry became the bright spot. According to the announcement of the Twelfth Five-Year Plan, the PRC government has been attaching great importance to modernize the logistics in the circulation sector, and has also formulated a series of favorable policies to encourage and support the development of the logistics industry, for example, has made substantial investments in upgrading the logistics and transportation infrastructure and has supplied additional land for logistics purpose.

Although China's current economy is developed under instabilities and uncertainties caused by complex domestic and international environments. The Board, however, is confident of our business return in future and will closely monitor the resources allocation with reference to the changes in business environment in China and the global economic changes. We will assess and undertake our business expansion and operation cautiously. We expect that the Group will be able to build up our new brand in logistics, residential and commercial properties in China successfully.

BUSINESS REVIEW

Our business model

It is the Group's strategy to develop ourselves as one of the properties leader in the PRC. To achieve this, we have developed the development mentality of "Professionally-devoted, Multi-functional and Dual-driven" as guidance to our development path.

Professionally-devoted: It represents our focused devotion in professional development of our modernized logistics infrastructures, with primary target of becoming the largest owner of logistics infrastructures in the PRC within the Twelfth Five Year Plan, in order to secure stable and long term return to our shareholders' equity and to provide stable cash flows for our developments in residential and commercial properties;

Multi-functional: It represents the diversification of our development in residential and commercial properties when opportunities arise. The main purpose of which is to enrich the profit base of the Group to further enhance the shareholders' value;

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

Our business model (Continued)

Dual-driven: It represents our capitalization on the combined effects driven by both the continuously improving operating results and appropriate investor relation function in the capital market to further enhance the capital gain of our investors.

In 2010 and 2011, we have successfully built up the platform to achieve these goals and development so far is following our planned path.

Logistics Business

Development of logistics business is under strong support by the PRC government. In previous decades, the omission in development of well-managed logistics infrastructures had caused endless growth in logistics costs and which has been seriously harmful to the overall economic growth. Since the Eleventh Five Year Plan, development in logistics was included as a focus and then became one of the main emphasises in the Twelfth Five Year Plan.

Under this background, investment, development and operation of modernized logistics infrastructures has became our new core business. It has the advantages of low management costs and stable income as well as the cash flows.

During the Fiscal Year 2011, the Group had entered into joint venture with the Kerry Group and the Hutchison Group to develop the Majuqiao Logistics Base, which is one of the four logistics bases nominated by the People's Government of the Beijing Municipality. Upon completion, the Majuqiao Logistics Base will be the largest integrated warehouse in the PRC. In November 2011, we also completed the acquisition of the 82.24% equity in Beijing Inland Port International Logistics Co., Ltd. (the "Lugang"), who is the owner of the 33.37% equity stake in the Beijing Jingjin Port International Logistics Co., Ltd. ("Jingjin International") and the owner of 161,499 square meters of land. Jingjin International is also one of the four logistics bases nominated by the People's Government of the Beijing Municipality and out of the 161,499 square meters of land held by Lugang, approximately 73,891 square meters is also be planned to be developed as a modernized inner city distribution center, which is believed to be the largest one established within the Fourth Ring Road of the Beijing Municipal. Following the above, we believe the strategic layout of our logistics business will be successfully implemented in the Beijing area and our next focus is the setting up of our nationwide network of logistics infrastructures.

The Board believes we are walking on the right track. We expect a healthy and energetic Group with remarkable return to shareholders will emerge in the future.

Properties Business

The Owners' City is our first residential properties project. It was completed in June 2011 and handover work is now in progress.

Looking forward, we will be seeking opportunities in residential and commercial property projects continuously in order to maximize the return to shareholders. The recent bid in Shenyang City is another proof of our commitment towards this. However, given the continuous control imposed by the PRC government, we will select project cautiously so that our resources will be utilized properly.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

Gardening Business

During the Fiscal Year 2011, the gross profit ratio of the gardening business was increased from 17.66% of the last year to approximately 21.72% of the current year, which was mainly benefited by the continuously scaling down of loss-making manufacturing activities to outsourcing activities since years ago. However, we cannot deny that the business is still facing challenge and harsh business environment in the world market. In December, we had completed the sale of the long term loss-making manufacturing operations of the gardening business. According to the latest audited results, the remaining sales operations of the gardening business still recorded decrease in revenue during the Fiscal Year 2011 and the net liabilities value of it as at 31 December 2011 amounted to approximately HK$1,025,000, which is immaterial for us to further allocate resources to manage it. Accordingly, the Board will closely monitor and assess the input to output performance of the gardening business and will seek way to maximize its contribution to shareholders.

FINANCIAL REVIEW

Turnover and Gross Profit analysis

The consolidated revenue (net of business tax) for the Fiscal Year 2011 amounted to approximately HK$1,633,929,000, representing an increase of approximately HK$1,494,542,000 or 1,072.22%, from approximately HK$139,387,000 of the Fiscal Year 2010. The significant increment was attributed to the recognition of the revenue from Owners' City. As at 31 December 2011, the revenue from the Owners' City amounted to approximately HK$1,539,835,000 (equivalent to approximately RMB1,272,212,000). The gross profit margin of the project was approximately 39.31%. In regard to the gardening business for the Fiscal Year 2011, the revenue amounted to approximately HK$93,391,000, representing a decrease of approximately HK$45,996,000 or 33%, from approximately HK$139,387,000 of the Fiscal Year 2010. During the Fiscal Year 2011, the slow recovery from the financial turmoil in USA market and the change of living mode and particularly in saving habits in the USA market that had led to the reduction of demand and in turn had made the annual turnover dropped. Upon the continuous scaling down of the loss-making manufacturing activities and performing various cost reduction exercises, the gardening business had slightly improved. The gross profit margin of it was improved from approximately 17.66% of the Fiscal Year 2010 to approximately 21.72% of the current year. For the logistics business, since the acquisition of Zhi Jian Limited was completed on 21 November 2011, the revenue of the logistics business only contributed around one month's revenue to the Group during the Fiscal Year 2011. The total amount of revenue of the logistics business amounted to approximately HK$703,000 and the gross profit margin of which was approximately 67.23%. Despite of this high margin, however, the revenue of which is limited as the current facilities are old with poor conditions and thats why we plan to further invest to modernize it into an inner city distribution center as previously mentioned.

Distribution and Selling Expenses

During the Fiscal Year 2011, total consolidated distribution and selling expenses was slightly decreased by approximately HK$1,492,000, or 4.66%, from approximately HK$32,027,000 of the Fiscal Year 2010 to approximately HK$30,535,000. The distribution and selling expenses of gardening business decreased by approximately HK$4,807,000, or 19.85%, from HK$24,217,000 of the Fiscal Year 2010 to HK$19,410,000 of the Fiscal Year 2011. The decrease in total selling and distribution expenses was mainly due to the continuous downsize of the loss-making manufacturing operations of gardening business during the Fiscal Year 2011. The distribution and selling expenses of properties business was increased by approximately HK$3,315,000, or 42.45%, from HK$7,810,000 of the Fiscal Year 2010 to HK$11,125,000 of the Fiscal Year 2011. The increase of which was mainly due to the salary and allowance expenses incurred in the Owners' City project.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Administrative Expenses

The administrative expenses of current year includes the equity-settled share option expenses of approximately HK$19,127,000 (2010: HK$29,607,000), arising from share options granted to employees and directors during the Fiscal Year 2011. If excluded this item, the administrative expenses of the Fiscal Year 2011 of the Group amounted to approximately HK$64,889,000, which represents an increase of approximately HK$2,239,000, or 3.57%, from approximately HK$62,650,000 of the Fiscal Year 2010. The increase is mainly due to the administrative expenses of Lugang, the newly acquired logistic business.

Finance Costs

Total finance costs incurred by the Group in the Fiscal Year 2011 amounted to approximately HK$45,444,000 (2010 restated: approximately HK$1,529,000), which comprised interest on bank and other borrowings of approximately HK$1,483,000 (2010: approximately HK$466,000) and imputed interest of convertible bonds of approximately HK$43,961,000 (2010 restated: approximately HK$1,063,000). The zero coupon convertible bonds of HK$1,500,000,000 and HK$499,850,000 were issued by the Company on 31 December 2010 and 3 December 2010, respectively. During the Fiscal Year 2011, the imputed interest expenses of approximately HK$43,961,000 was recognized pursuant to the applicable accounting standards. The imputed interest did not affect the actual cashflow of the Group.

Liquidity and Financial Resources

As at 31 December 2011, the Group had total borrowing of approximately HK$1,887,051,000 (2010 restated: approximately HK$1,747,876,000). The Group's gearing ratio, which was defined as total borrowing as percentage of total assets, was approximately 46.45% (2010 restated: approximately 42.28%).

The Group's cash and bank balance at 31 December 2011 amounted to approximately HK$2,873,409,000 (2010: approximately HK$3,303,855,000), which was denominated in United States dollars, HKD and RMB. The cash balances, together with the unutilised banking facilities, will enable the Group to finance our business at the moment.

As at 31 December 2011, the Group's current ratio and quick ratio were approximately 135.16% (2010 restated: approximately 127.32%) and approximately 130.13% (2010 restated: approximately 108.70%) respectively.

Capital Expenditure

During the Fiscal Year 2011, the Group spent approximately HK$438,436,000 (2010: approximately HK$5,818,000) as capital expenditures, which included acquisition of furniture and fixtures, office equipments, motor vehicles, plant and machinery, investment properties and prepaid land lease payment for the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Capital commitments

As at 31 December 2011, the Group's contracted capital commitments for the formation of a joint venture company (the "JV Company") amounted to approximately RMB520,000,000, being the capital to be contributed into the JV Company by the Group calculated based on the registered capital of RMB1 billion of the JV Company, where as to 32% of which is invested by a wholly owned subsidiary of the Company and as to 20% of which is invested by Lugang. If counted by the total investment of RMB2 billion of the JV Company, the total capital commitment of the Group will be RMB1.04 billion calculated on the same basis.

Foreign Exchange Exposure

The Group did not engage in any hedging transactions related to foreign currencies. During the Fiscal Year 2011, the Group's major revenue and cost arose from the residential property business and were denominated in Renminbi. It is expected the continuous appreciation of the Renminbi will has a positive effect on the Group's financial condition. The Group will closely assess and monitor the movement of RMB exchange rate, and to consider hedging the relative exposure should the need arise.

Contingent Liabilities

As at 31 December 2011, the Group had certain contingent liabilities arising from the reorganisation of Lugang, a subsidiary of the Group. One of the non-controlling shareholder of Lugang, 北京十八里店農工商經營服務中心 (the "BAIC Service Centre") injected certain assets and liabilities owned by the subsidiary of the BAIC Service Centre into the Lugang before 2001 while certain bank loans (the "Loans") with outstanding principal amount of approximately RMB47,700,000 were not taken up by Lugang. The Loans were guaranteed by the BAIC Service Centre. As there are defects in the transfer procedures, the bank may require Lugang to assume the repayment obligations of the Loans in case the BAIC Service Centre and its subsidiary are unable to settle the Loans, related interests and penalties. Up to the date of this report, no legal proceeding has been brought against the BAIC Service Centre, its subsidiary and the Lugang. The directors of the Company considered that there are uncertainties in respect of the legal obligations of Lugang, as well as the amount and timing of the potential cash outflow, therefore the fair value of such contingent liabilities cannot be reliably measured. The Group assumed the above contingent liabilities when the Company completed the acquisition of Zhi Jian Limited on 21 November 2011 (2010: Nil).

Charges on Assets

As at 31 December 2011, the Group had (1) entrusted loans with principal amount of approximately HK$77,624,000, which were secured by floating charges over the investment properties, buildings and prepaid land lease payments of a subsidiary of the Company with aggregated carrying amount of approximately HK$409,591,000 on Group level (2010: Nil); and (2) certain assets of a subsidiary of the Company with carrying amount of approximately HK$16,255,000 were pledged to secure the general banking facilities of approximately HK$2,477,000 which was drawn down (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Employees and Remuneration Policies

As at 31 December 2011, the Group had a total of 133 (2010: 292) employees after the loss-making manufacturing operations of the gardening business was sold in December 2011. Total staff cost incurred during the Fiscal Year 2011 amounted to approximately HK$70,844,000 (2010: approximately HK$77,586,000) (including staff cost included in cost of sales, directors' remuneration and equity settled option expenses).

The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The Group's employee remuneration policy and packages are periodically reviewed by the management. Apart from pension funds, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a quality corporate governance so to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhancement of shareholders' value.

In the opinion of the Board, the Company had complied with all code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year, except for certain deviations disclosed herein below.

BOARD OF DIRECTORS

Composition and role

The Board of Directors (the "Board") currently consists of sixteen directors: comprising ten Executive Directors, namely, Mr. Zhou Si, Mr. Ang Keng Lam, Mr. Yu Li, Mr. Qian Xu, Mr. Siu Kin Wai, Mr. Xu Taiyan, Mr. Jiang Xinhao, Ms. Meng Fang, Mr. Yu Luning and Mr. Liu Xueheng; one Non-Executive Director, namely, Mr. Lin Chun Kuei; and five Independent Non-Executive Directors ("INED(s)"), namely, Mr. Goh Gen Cheung, Mr. Ng Tang Fai, Ernesto, Mr. Ma Chiu Cheung, Andrew, Mr. Zhu Wuxiang and Mr. James Chan. One of the INEDs, namely, Mr. Ma Chiu Cheng, Andrew, has the professional and accounting qualifications required by the Listing Rules. The principal function of the Board is to formulate corporate strategy and business development and to ensure a high standard of corporate governance. The Board met regularly during the year to approve acquisition and disposal, connected transactions, placing of shares and monitoring the financial performance of the Group in pursuit of its strategic goals. Control and day to day operation of the Company is delegated to the Chief Executive Officer and the management of the Company. There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship.

Meetings

Attendance records of the Board meetings and meetings of all Committees of the Board for the year were set out below:

	Board	Audit Committee	Investment and Risk Management Committee	Remuneration Committee	Nomination Committee
Number of meetings held	7	3	3	2	2
Name of Director		**Number of meetings attended**			
Executive Directors					
Mr. Zhou Si	6/7	N/A	N/A	N/A	N/A
Mr. Ang Keng Lam	7/7	N/A	3/3	N/A	N/A
Mr. Yu Li	6/7	N/A	N/A	N/A	N/A
Mr. Qian Xu	7/7	N/A	3/3	2/2	2/2
Mr. Siu Kin Wai	7/7	N/A	3/3	N/A	N/A
Mr. Xu Taiyan	7/7	N/A	N/A	N/A	N/A
Mr. Jiang Xinhao	7/7	N/A	3/3	N/A	N/A
Ms. Meng Fang	7/7	N/A	3/3	N/A	N/A
Mr. Yu Luning	7/7	N/A	3/3	N/A	N/A
Mr. Liu Xueheng	6/7	N/A	2/3	N/A	N/A

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (Continued)

Meetings (Continued)

	Board	Audit Committee	Investment and Risk Management Committee	Remuneration Committee	Nomination Committee
Non-Executive Director					
Mr. Lin Chun Kuei	0/7	N/A	N/A	0/2	0/2
Independent Non-Executive Directors					
Mr. Goh Gen Cheung	7/7	3/3	N/A	2/2	2/2
Mr. Ma Chiu Cheung, Andrew	7/7	3/3	N/A	2/2	2/2
Mr. Ng Tang Fai, Ernesto	7/7	3/3	N/A	2/2	2/2
Mr. Zhu Wuxiang	7/7	2/2	2/3	N/A	N/A
Mr. James Chan	5/5	2/2	N/A	N/A	N/A

NON-EXECUTIVE DIRECTORS

Code provision A.4.1 of CG Code stipulates that Non-Executive Directors should be appointed for a specific term, subject to re-election. Before 1 May 2010, the Non-Executive Director and two of the three INEDs of the Company have not been appointed for a specific term but all of them are subject to retirement by rotation and re-election at annual general meeting in accordance with the Bye-laws of the Company. Effective from 1 May 2010, following the service agreements signed between the Company and all INEDs, except for the Non-Executive Director, all INEDs have been appointed for a specific term.

The Company has received written annual confirmations from all INEDs confirming their independence pursuant to Rules 3.13 of the Listing Rules. The Company considers all INEDs are independent.

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct in respect of securities transactions of the directors. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding director' s securities transaction during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the CG Code as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2011. Despite the fact that the Company has made effort to maintain proper corporate governance standard, except for one code provision under the CG Code. Under Code E.1.2, the chairman of the Board was unable to attend the annual general meeting of the Company held on 3 June 2011 due to unexpected business commitments. Alternatively, Mr. Siu Kin Wai, the Executive Director and Company Secretary of the Company attended the said annual general meeting.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established four board committees to strengthen its functions and corporate governance practices, namely, Audit Committee, Investment and Risk Management Committee, Remuneration Committee and Nomination Committee. All Committees perform their specific roles and duties in accordance with their respective written terms of reference.

Audit Committee

The Audit Committee was established in 1999 and all members are INEDs. Members of the Audit Committee are Mr. Ma Chiu Cheung, Andrew, Mr. Goh Gen Cheung, Mr. Ng Tang Fai, Ernesto, Mr. Zhu Wuxiang and Mr. James Chan. The Audit Committee is chaired by Mr. Ma Chiu Cheung, Andrew who is the founder and a former Director of Andrew Ma DFK (CPA) Limited and has over 30 years of experience in the field of corporate advisory and assurance and finance. All members of this committee hold the relevant industry and financial experience necessary to advise on Board strategies and other related matters.

The functions of the Audit Committee mainly include:

- to monitor and decide on the independence, appointment and terms of engagement of the external auditors;
- to review and monitor financial reporting and the reporting judgments and estimates contained; and
- to review financial and internal controls, accounting policies and practices with management and external auditors.

Every year, the Audit Committee meets with the Group's independent auditors to discuss the annual audit plan. The meetings of the Audit Committee are attended by members of the committee, and where necessary, the independent auditors. Independent auditors made presentations to the Audit Committee on implications of the introduction of new accounting standards in Hong Kong and their audit methodologies. The Audit Committee subsequently reported its recommendations to the Board for further review and approval. The Audit Committee is also entrusted with monitoring and assessing the independence and objectivity of the independent auditors and the effectiveness of the audit process. All partners of independent auditors are subject to periodic rotations, and where necessary, the ratio of annual fees for non-audit services and for audit service is subject to close scrutiny by the Audit Committee.

During the year under review, the Audit Committee met three times to review and approve, for recommendations made to the Board for approval, the audited financial statements and annual results announcement for the year ended 31 December 2010, the unaudited financial statements and interim results announcement for the six months ended 30 June 2011 and discussed with the management and independent auditors the audit planning, accounting policies and practices related to the audit of the Group for the year ended 31 December 2011.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

The fees paid/payable in respect of services provided by the Group's independent auditors during the year ended 31 December 2011 were as follows:

	2011	2010
	HK$'000	HK$'000
Audit Service	**700**	1,174
Non-audit services	**1,103**	374

The Audit Committee has concluded that it is satisfied with the findings of its review of the audit and non-audit services fees, process and effectiveness, independence and objectivity.

The Group's annual report for the year ended 31 December 2011 has been reviewed by the Audit Committee.

Investment and Risk Management Committee

The Investment and Risk Management Committee was established on 4 May 2011, which is mainly responsible for: (i) assessing and recommending to the Board all possible investment proposals prepared by the senior management; (ii) analysing the possible adverse effect of global economic environment and recommending measures and solutions to the Board; and (iii) assessing the operating risks of the Company and our subsidiaries and recommending solutions to the Board.

The members of the Investment and Risk Management Committee are Mr. Ang Keng Lam *(Chairman)*, Mr. Qian Xu, Mr. Jiang Xinhao, Ms. Meng Fang, Mr. Siu Kin Wai, Mr. Yu Luning, Mr. Liu Xueheng and Mr. Zhu Wuxiang. All members except Mr. Zhu Wuxiang are executive directors of the Company as the committee will mostly involve in operational matters of the Company. Mr. Zhu Wuxiang is the representative of Independent Non-Executive Directors to join the committee to provide independent and professional opinion.

Remuneration Committee

The Remuneration Committee was established in 2005, which is mainly responsible for formulating and making recommendation to the Board: (1) on the Group's policy, structure and package for all remunerations of the Directors and senior management; and (2) on the establishment of formal and transparent procedures to achieve this.

The majority of the Remuneration Committee members are INEDs. Members of the Remuneration Committee are Mr. Goh Gen Cheung (Chairman), Mr. Ma Chiu Cheung, Andrew, Mr. Ng Tang Fai, Ernesto, Mr. James Chan and Mr. Yu Luning.

Nomination Committee

The Nomination Committee was established in 2005, which is mainly responsible for nominating and affirming candidates of Directors and senior management to the Board, reviewing the structure and composition of the board on a regular basis, ensuring the competitive position of the organization, evaluating the leadership abilities of Executive and Non-Executive directors and ensuring fair and transparent procedures for the appointment of Directors to the Board.

The majority of the Nomination Committee members are INEDs. Members of the Nomination Committee are Mr. Ng Tang Fai, Ernesto (Chairman), Mr. Goh Gen Cheung, Mr. Ma Chiu Cheung, Andrew, Mr. James Chan, Mr. Qian Xu, Ms. Meng Fang and Mr. Yu Luning.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implement an effective and sound internal control system to safeguard the interest of shareholders and the Group' s assets. The Board has delegated to the management the implementation of the system of internal controls and reviewing financial, operational, compliance controls and risk management functions within an established framework.

The Board has conducted a review of the effectiveness of the system of internal controls of the Company. In view of strengthening the internal control system to meet with the continuous corporate and business development of the Company, the Board will conduct an internal company-wide study periodically to review and enhance the internal control system.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of accounts for each financial year which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. In preparing the accounts for the year ended 31 December 2011, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

REPORT OF THE DIRECTORS

The Board of Directors (the "Board") presents its report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 16 to the audited financial statements. On 21 November 2011, the Group acquired the entire equity interests in Zhi Jian Limited together with its subsidiaries (the"Zhi Jian"), which are engaged in the logistic business in the People's Republic of China (the"Mainland China"). Therefore, the Group is principally engaged in the development of logistics, commercial and residential properties. Other than these businesses, there were no other significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the audited consolidated financial statements on pages 34 to 120. The Board does not recommend the payment of any dividend for the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements, is set out on page 122.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 13 and 14 respectively to the audited financial statements.

SHARE CAPITAL, SHARE OPTIONS, WARRANTS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options, warrants and convertible bonds during the year are set out in notes 33, 34 and 32 to the audited financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the financial statement and the audited consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company, calculated in accordance with the Company Act 1981 of Bermuda, had not any reserves available for distribution. In addition, the Company's share premium account, in the amount of HK$691,486,000, can be distributed in the form of fully paid bonus shares.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the Group's total revenue for the year. Purchase from the Group's five largest suppliers accounted for 66.96% of the Group's total purchases for the year and purchase from the largest supplier included therein amounted to 36.20%.

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

DIRECTORS

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

Executive Directors:

Mr. Zhou Si *(Chairman)* (appointed on 1 January 2011)
Mr. Ang Keng Lam *(Vice Chairman)* (appointed on 1 January 2011)
Mr. Yu Li *(Vice Chairman)* (appointed on 1 January 2011)
Mr. Qian Xu *(Chief Executive Officer)*
Mr. Siu Kin Wai *(Chief Financial Officer and Company Secretary)*
Mr. Xu Taiyan (appointed on 1 January 2011)
Mr. Jiang Xinhao (appointed on 1 January 2011)
Ms. Meng Fang (appointed on 1 January 2011)
Mr. Yu Luning (appointed on 1 January 2011)
Mr. Liu Xueheng (appointed on 1 January 2011)
Mr. Lei Zhengang (resigned on 1 January 2011)

Non-Executive Director:

Mr. Lin Chun Kuei

Independent Non-Executive Directors:

Mr. Goh Gen Cheung
Mr. Ma Chiu Cheung, Andrew
Mr. Ng Tang Fai, Ernesto
Mr. Zhu Wuxiang (appointed on 1 January 2011)
Mr. James Chan (appointed on 3 June 2011)

In accordance with bye-law 111(A) and 114 of the Company's bye-laws, Mr. Qian Xu, Mr. Siu Kin Wai, Mr. Ma Chiu Cheung, Andrew, Mr. Ng Tang Fai, Ernesto, Mr. James Chan and Mr. Goh Gen Cheung shall retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received written annual confirmations of independence from all INEDs and as at the date of this report all of them are still considered to be independent.

REPORT OF THE DIRECTORS

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management of the Company are set out on pages 4 to 8 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Ma Chiu Cheung, Andrew, Mr. Goh Gen Cheung, Mr. Ng Tang Tai, Ernesto, Mr. Zhu Wuxiang and Mr. James Chan, INEDs of the Company, had entered into service agreement with the Company for a term of three years commencing on 1 May 2009, 1 May 2009, 1 May 2009, 1 January 2010 and 3 June 2011 respectively, until terminated by either party thereto giving to the other not less than three months' notice in writing.

Except for the above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

The emolument policy for the employees of the Group is on the basis of their merit, qualifications and competence.

The directors' emoluments are determined by the Remuneration Committee with reference to directors' duties, responsibilities and performance and the results of the Group.

The Company has adopted a share option scheme as incentives to directors and eligible employees, details of the scheme is set out in note 33 to the audited consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2011, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long position in the ordinary shares of the Company:

Name of Director	Nature of interest	Number of Shares held	Percentage of the Company's issued share capital (%)
Mr. Lin Chun Kuei	Beneficial Owner	63,051,200	1.64
Mr. Ang Keng Lam	Beneficial Owner	4,536,000	
	Controlled corporation	100,000,000	
		104,536,000	2.72

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)

Long position in underlying shares of the Company

The interests of the directors and chief executive in the share options of the Company are separately disclosed in the section "Share option schemes" below.

Save as disclosed above, as at 31 December 2011, none of the directors or chief executives had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

SHARE OPTION SCHEME

On 18 March 2010, the Company has adopted new share option scheme (the "Scheme") to replace the old share option scheme adopted on 18 June 2002 and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Company by aligning the interests of option holders to shareholders of the Company. The directors of the Company may, at their discretion, invite employees (including executive directors) and Non-Executive Directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the Board at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the SEHK on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the SEHK on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES (Continued)

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 34 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

Name or category of participant	Number of share options					Date of grant of share options*	Exercise period of share options	Exercise price of share options**
	At 1 January 2011	Granted during the year	Exercised during the year	Forfeited/ lapsed during the year	At 31 December 2011			HK$ per share
Directors:								
Mr. Zhou Si	5,000,000	–	–	–	5,000,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	–	7,000,000	–	–	7,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	7,000,000	–	–	12,000,000			
Mr. Ang Keng Lam	5,000,000	–	–	–	5,000,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	–	6,000,000	–	–	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	6,000,000	–	–	11,000,000			
Mr. Yu Li	4,250,000	–	–	–	4,250,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	–	6,000,000	–	–	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	4,250,000	6,000,000	–	–	10,250,000			
Mr. Qian Xu	6,000,000	–	–	–	6,000,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	–	6,000,000	–	–	6,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	6,000,000	6,000,000	–	–	12,000,000			
Mr. Xu Taiyan	5,000,000	–	–	–	5,000,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	–	5,000,000	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	5,000,000	–	–	10,000,000			

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES (Continued)

Name or category of participant	Number of share options: At 1 January 2011	Granted during the year	Exercised during the year	Forfeited/ lapsed during the year	At 31 December 2011	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Mr. Jiang Xinhao	3,300,000	–	–	–	3,300,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	–	5,000,000	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	3,300,000	5,000,000	–	–	8,300,000			
Ms. Meng Fang	5,000,000	–	–	–	5,000,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	–	5,000,000	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	5,000,000	–	–	10,000,000			
Mr. Siu Kin Wai	5,000,000	–	–	–	5,000,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	–	5,000,000	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	5,000,000	–	–	10,000,000			
Mr. Yu Luning	5,000,000	–	–	–	5,000,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	–	5,000,000	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	5,000,000	5,000,000	–	–	10,000,000			
Mr. Liu Xueheng	–	5,000,000	–	–	5,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
Mr. Lin Chun Kuei	5,000,000	–	–	–	5,000,000	11-May-10	11-May-10 to 10-May-20	0.820
Mr. Goh Gen Cheung	2,000,000	–	–	–	2,000,000	27-Apr-10	27-Apr-10 to 26-Apr-20	0.808
	–	2,000,000	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,000,000	2,000,000	–	–	4,000,000			
Mr. Ma Chiu Cheung, Andrew	2,000,000	–	–	–	2,000,000	27-Apr-10	27-Apr-10 to 26-Apr-20	0.808
	–	2,000,000	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,000,000	2,000,000	–	–	4,000,000			

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES (Continued)

Name or category of participant	Number of share options: At 1 January 2011	Granted during the year	Exercised during the year	Forfeited/ lapsed during the year	At 31 December 2011	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share
Mr. Ng Tang Fai, Ernesto	2,000,000	–	–	–	2,000,000	27-Apr-10	27-Apr-10 to 26-Apr-20	0.808
	–	2,000,000	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	2,000,000	2,000,000	–	–	4,000,000			
Mr. Zhu Wuxiang	–	2,000,000	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
Mr. James Chan	–	2,000,000	–	–	2,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
Other employees and consultants in aggregate:	241,550,000	–	–	(1,500,000)	240,050,000	8-Apr-10	8-Apr-10 to 7-Apr-20	0.820
	7,200,000	–	–	(800,000)	6,400,000	11-May-10	11-May-10 to 10-May-20	0.820
	2,400,000	–	–	–	2,400,000	17-Jun-10	17-Jun-10 to 16-Jun-20	0.820
	–	135,000,000	–	–	135,000,000	28-Oct-11	28-Oct-11 to 27-Oct-21	0.465
	251,150,000	135,000,000	–	(2,300,000)	383,850,000			
	305,700,000	200,000,000	–	(2,300,000)	503,400,000			

Notes to the table of share options outstanding during the year:

* There is no vesting period for the share options.

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

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES (Continued)

The directors have estimated the values of the share options granted during the year, calculated using the binomial option pricing model as at the date of grant of the options:

Grantee	Number of share options granted during the year	Theoretical value of share options (HK$)
Mr. Zhou Si	7,000,000	1,708,000
Mr. Ang Keng Lam	6,000,000	1,464,000
Mr. Yu Li	6,000,000	1,464,000
Mr. Qian Xu	6,000,000	1,464,000
Mr. Xu Taiyan	5,000,000	1,220,000
Mr. Jiang Xinhao	5,000,000	1,220,000
Ms. Meng Fang	5,000,000	1,220,000
Mr. Siu Kin Wai	5,000,000	1,220,000
Mr. Yu Luning	5,000,000	1,220,000
Mr. Liu Xueheng	5,000,000	1,220,000
Mr. Goh Gen Cheung	2,000,000	488,000
Mr. Ma Chiu Cheung, Andrew	2,000,000	488,000
Mr. Ng Tang Fai, Ernesto	2,000,000	488,000
Mr. Zhu Wuxiang	2,000,000	488,000
Mr. James Chan	2,000,000	488,000
Other employees and consultants	135,000,000	19,602,000
	200,000,000	35,462,000

The fair values of the options have been arrived at on the basis of a valuation carried out on the grant date by Greater China Appraisal Limited, independent qualified professional valuers using binomial model. The variables and assumptions used in computing the fair value of the share options are based on the Board's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

For the year ended 31 December 2011, the Group recognised the total expense of HK$35,462,000 (2010: HK$86,533,000) in relation to share options granted by the Company.

As the Company has changed its principal business to property development in 2010, the expected volatility was determined by using the average annualised standard deviations of the continuously compounded rates of return of share prices of comparable companies with principal business in property development as of the valuation dates quoted by Bloomberg.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and chief executives' interests and short positions in shares and underlying shares" and "Share option scheme" at no time during the year ended 31 December 2011 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2011, the following interests and short positions of 5% or more of the issued share capital and warrants of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares and underlying shares:

Name	Notes	Number of shares held, capacity and nature of interest: directly beneficially owned	Number of shares held, capacity and nature of interest: through a controlled corporation	Number of underlying shares held, capacity and nature of interest: directly beneficially owned	Number of underlying shares held, capacity and nature of interest: through a controlled corporation	Total	Approximate percentage of the Company's issued share capital (%)
Brilliant Bright Holdings Limited	(a)	1,557,792,500	–	–	–	1,557,792,500	40.59%
Beijing Holdings Limited	(b)	–	1,557,792,500	–	–	1,557,792,500	40.59%
Beijing Enterprises Group (BVI) Company Limited	(c)	–	–	2,307,692,307	–	2,307,692,307	60.13%
Beijing Enterprises Group Company Limited	(d)	–	1,557,792,500	–	2,307,692,307	3,865,484,807	100.72%
Thular Limited	(e)	371,206,000	–	–	–	371,206,000	9.67%
Kerry Holdings Limited	(e)	–	371,206,000	–	–	371,206,000	9.67%
Kerry Group Limited	(e)	–	371,206,000	–	–	371,206,000	9.67%

Notes:

(a) Brilliant Bright Holding Limited ("Brilliant Bright") holds 1,557,792,500 shares.

(b) Beijing Holdings Limited ("BHL") is deemed to be interested in the 1,557,792,500 shares by virtue of its controlling interests in its wholly owned subsidiary, Brilliant Bright.

(c) Beijing Enterprises Group (BVI) Company Limited ("BE Group BVI") holds 2,307,692,307 underlying shares though it's ownerships in the HK$1,500,000,000 convertible bonds of the Company which are convertible at HK$0.65 per share.

(d) The interest disclosed represents the shares owned by BHL as detail in note (b) and the underlying shares owned by BE Group BVI as detail in note (c). BHL and BE Group BVI is held directly as to 100% by Beijing Enterprises Group Company Limited ("BE Group"). Accordingly, BE Group is deemed to be interested in the said shares and underlying shares.

(e) Thular Limited ("Thular") (formerly known as "Timekey Limited") is the beneficial owner of 371,206,000 shares. As Thular is wholly owned by Kerry Holdings Limited ("KHL") which is in turn wholly owned by Kerry Group Limited ("KGL"), KHL and KGL are also deemed to be interested in the said shares.

Save as disclosed above, as at 31 December 2011, no person whose interests had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

Connected transactions undertaken by the Group during the year are set out in note 41(a) to the audited consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENT AFTER THE REPORTING PERIOD

Details of the significant events occurring after the reporting period of the Group are set out in note 44 to the audited consolidated financial statements.

AUDITORS

During the year ended 31 December 2009, CCIF CPA Limited resigned as auditors of the Company and Deloitte Touche Tohmatsu Certified Public Accountants were appointed by the directors to fill the casual vacancy so arising. During the year ended 31 December 2011. Deloitte Touche Tohmatsu Certified Public Accountants resigned as auditors of the Company and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. Save as aforesaid, there have been no other changes of auditors in the past three years. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Zhou Si
Chairman

Hong Kong
27 March 2012

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Beijing Properties (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 34 to 120, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's 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
22/F CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

27 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Revenue	5	**1,633,929**	139,387
Cost of sales		**(1,007,868)**	(114,769)
Gross profit		**626,061**	24,618
Other income and gains	5	**67,321**	18,197
Selling and distribution costs		**(30,535)**	(32,027)
Administrative expenses		**(84,016)**	(92,257)
Other expenses		**(18,218)**	(71,122)
Finance costs	7	**(45,444)**	(1,529)
Share of loss of an associate		**(15)**	–
Profit/(loss) before tax	6	**515,154**	(154,120)
Income tax expense	10	**(250,398)**	(262)
Profit/(loss) for the year		**264,756**	(154,382)
Attributable to:			
Owners of the parent		**120,944**	(152,753)
Non-controlling interests		**143,812**	(1,629)
		264,756	(154,382)
Earnings/(loss) per share attributable to ordinary equity holders of the parent	12		
Basic and diluted		**3.3 HK cents**	(4.5 HK cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000 (Restated)
Profit/(loss) for the year		**264,756**	(154,382)
Other comprehensive income			
Exchange differences on translation of foreign operations		**70,818**	19,533
Other comprehensive income for the year, net of tax		**70,818**	19,533
Total comprehensive income/(loss) for the year		**335,574**	(134,849)
Attributable to:			
Owners of the parent	11	**184,255**	(134,727)
Non-controlling interests		**151,319**	(122)
		335,574	(134,849)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**18,911**	4,496
Investment properties	14	**163,537**	500
Prepaid land lease payments	15	**246,006**	–
Investment in a jointly-controlled entity	17	**–**	–
Investment in an associate	18	**54,960**	–
Deferred tax assets	19	**40,809**	–
Deposit paid for land use rights	20	**249,187**	–
Loan receivable	21	**–**	56,036
Total non-current assets		**773,410**	61,032
CURRENT ASSETS			
Inventories	22	**–**	3,515
Loan receivable	21	**–**	11,797
Properties under development	23	**–**	592,237
Completed properties held for sale	24	**122,578**	–
Trade receivables	25	**16,050**	27,374
Prepayments, deposits and other receivables	26	**19,868**	123,239
Amounts due from related parties	27	**256,959**	11,207
Cash and bank	28	**2,873,409**	3,303,855
Total current assets		**3,288,864**	4,073,224
CURRENT LIABILITIES			
Trade payables	29	**121,426**	36,370
Other payables and accruals	30	**87,272**	31,936
Deposits received on sale of properties		**34,502**	1,382,383
Interest-bearing bank and other borrowings	31	**126,905**	–
Amounts due to related parties	27	**152,681**	610
Convertible bonds	32	**1,682,602**	1,747,876
Tax payable		**227,871**	17
Total current liabilities		**2,433,259**	3,199,192
NET CURRENT ASSETS		**855,605**	874,032

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,629,015**	935,064
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**77,544**	–
Deferred tax liabilities	19	**85,168**	562
Total non-current liabilities		**162,712**	562
Net assets		**1,466,303**	934,502
EQUITY			
Equity attributable to owners of the parent			
Issued capital	33	**383,779**	353,656
Equity component of convertible bonds	32	**216,989**	233,752
Reserves	35(a)	**632,907**	295,461
		1,233,675	882,869
NON-CONTROLLING INTERESTS		**232,628**	51,633
Total equity		**1,466,303**	934,502

Qian Xu
Director

Siu Kin Wai
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

		Attributable to owners of the parent											
	Notes	Issued capital HK$'000 (note 33)	Share premium account HK$'000 (note 33)	Convertible bond-equity component HK$'000 (note 32)	Share option reserve HK$'000 (note 34)	Contributed surplus HK$'000 (note 35(a))	Warrant reserve HK$'000 (note 33)	Statutory reserve HK$'000 (note 35(a))	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010		323,920	463,436	–	–	18,528	2,000	20,490	21,496	(270,929)	578,941	–	578,941
Profit for the year (restated)		–	–	–	–	–	–	–	–	(152,753)	(152,753)	(1,629)	(154,382)
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	18,026	–	18,026	1,507	19,533
Total comprehensive income for the year		–	–	–	–	–	–	–	18,026	(152,753)	(134,727)	(122)	(134,849)
Equity-settled share option arrangements	34	–	–	–	86,533	–	–	–	–	–	86,533	–	86,533
Issue of shares upon exercise of unlisted warrants	33	20,000	82,000	–	–	–	(2,000)	–	–	–	100,000	–	100,000
Recognition of equity component of convertible bonds (restated)	32	–	–	234,956	–	–	–	–	–	–	234,956	–	234,956
Issue of share upon conversion of convertible bonds (restated)	32	1,400	7,552	(1,204)	–	–	–	–	–	–	7,748	–	7,748
Acquisition of assets and liabilities through acquisition of subsidiaries	33, 36	8,336	1,082	–	–	–	–	–	–	–	9,418	30,156	39,574
Capital contribution by non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	21,599	21,599
At 31 December 2010 (restated)		353,656	554,070*	233,752	86,533*	18,528*	–	20,490*	39,522*	(423,682)*	882,869	51,633	934,502
At 1 January 2011													
As previously reported		353,656	554,070	642,763	86,533	18,528	–	20,490	39,522	(424,694)	1,290,868	51,633	1,342,501
Prior year adjustments	32	–	–	(409,011)	–	–	–	–	–	1,012	(407,999)	–	(407,999)
As restated		353,656	554,070	233,752	86,533	18,528	–	20,490	39,522	(423,682)	882,869	51,633	934,502
Profit for the year		–	–	–	–	–	–	–	–	120,944	120,944	143,812	264,756
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	63,311	–	63,311	7,507	70,818
Total comprehensive income for the year		–	–	–	–	–	–	–	63,311	120,944	184,255	151,319	335,574
Equity-settled share option arrangements	34	–	–	–	35,462	–	–	–	–	–	35,462	–	35,462
Reversal of share option reserve due to resignation of staff	34	–	–	–	(585)	–	–	–	–	585	–	–	–
Transfer of equity component of convertible bonds upon early redemption	32	–	–	(1,564)	–	–	–	–	–	1,564	–	–	–
Issue of shares upon conversion of convertible bonds	32	17,680	96,354	(15,199)	–	–	–	–	–	–	98,835	–	98,835
Transfer to statutory reserves		–	–	–	–	–	–	20,887	–	(20,887)	–	–	–
Acquisition of subsidiaries	33, 36	12,443	41,062	–	–	–	–	–	–	–	53,505	29,676	83,181
Disposal of subsidiaries	37	–	–	–	–	–	–	(20,490)	(21,251)	20,490	(21,251)	–	(21,251)
At 31 December 2011		**383,779**	**691,486***	**216,989**	**121,410***	**18,528***	**–**	**20,887***	**81,582***	**(300,986)***	**1,233,675**	**232,628**	**1,466,303**

* These reserve accounts comprise the consolidated reserve of HK$632,907,000 (2010: HK$295,461,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**515,154**	(154,120)
Adjustments for:			
Finance costs	7	**45,444**	1,529
Loss on early redemption of convertible bonds		**1,430**	–
Share of loss of an associate		**15**	–
Interest income		**(39,521)**	(11,082)
Gain on disposal of items of property, plant and equipment	5	**(1,370)**	(2,686)
Loss on disposal of subsidiaries	6, 37	**27**	–
Gain on bargain purchase	5, 36	**(4,888)**	–
Depreciation	6,13	**717**	3,045
Changes in fair value of investment properties	14	**68**	(150)
Recognition of prepaid land lease payments	15	**549**	27
Reversal of impairment on trade receivables	6, 25	**–**	(192)
Reversal of impairment on other receivables	6	**–**	(672)
Impairment losses on loan receivable	6	**–**	3,945
Equity-settled share option expense	34	**35,462**	86,533
		553,087	(73,823)
Increase in inventories		**(707)**	(1,082)
Increase in completed properties held for sale		**(122,578)**	–
(Increase)/decrease in properties under development		**592,237**	(592,237)
(Increase)/decrease in trade receivables		**5,502**	(3,750)
Decrease in loan receivables		**11,797**	–
(Increase)/decrease in prepayments, deposits and other receivables		**89,293**	(88,503)
Increase in trade payables		**96,286**	47,021
Increase in other payables and accruals		**13,339**	9,794
Increase/(decrease) in deposits received on sale of properties		**(1,347,881)**	1,382,383
Cash generated from/(used in) operations		**(109,625)**	679,803
Income tax paid		**(44,164)**	(24,822)
Net cash flows from/(used in) operating activities		**(153,789)**	654,981
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**28,035**	11,082
Deposits paid for land use right		**(249,187)**	–
Receipt of an amount due from a related party		**–**	91
Advance to a related party		**–**	(11,207)
Purchases of items of property, plant and equipment		**(9,117)**	(4,359)
Proceeds from disposal of items of property, plant and equipment		**2,780**	13,326
Acquisition of subsidiaries	36	**(61,294)**	–
Disposal of subsidiaries	37	**40,605**	–
Decrease in pledged time deposits		**–**	879
Net cash flows from/(used in) investing activities		**(248,178)**	9,812

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible bonds	32	–	1,989,517
Redemption of convertible bonds		(11,830)	–
Proceeds from exercise of unlisted warrants		–	100,000
New bank loans		2,477	3,881
Repayment of bank loans		–	(14,166)
(Increase)/decrease in amount due from related parties		(244,101)	155
Increase/(decrease) in amount due to related parties		150,588	–
Contribution from non-controlling shareholders		–	21,599
Interest received on a loan receivable		9,835	–
Interest paid		–	(466)
Net cash flows from/(used in) financing activities		(93,031)	2,100,520
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(494,998)	2,765,313
Cash and cash equivalents at beginning of year		3,303,855	522,251
Effect of foreign exchange rate changes, net		64,552	16,291
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,873,409	3,303,855
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	2,873,409	3,303,855

COMPANY STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**44**	88
Investments in subsidiaries	16	**211,218**	56,113
Total non-current assets		**211,262**	56,201
CURRENT ASSETS			
Due from subsidiaries	16	**601,639**	199,483
Prepayments, deposits and other receivables	26	**11,552**	589
Cash and bank	28	**1,907,118**	2,406,094
Total current assets		**2,520,309**	2,606,166
CURRENT LIABILITIES			
Due to subsidiaries	16	**11,707**	3,669
Other payables and accruals	30	**10,504**	1,684
Convertible bonds	32	**1,682,602**	1,747,876
Total current liabilities		**1,704,813**	1,753,229
NET CURRENT ASSETS		**815,496**	852,937
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,026,758**	909,138
Net assets		**1,026,758**	909,138
EQUITY			
Issued capital	33	**383,779**	353,656
Equity component of convertible bonds	32	**216,989**	233,752
Reserves	35(b)	**425,990**	321,730
Total equity		**1,026,758**	909,138

Qian Xu
Director

Siu Kin Wai
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2011

1. CORPORATE INFORMATION

Beijing Properties (Holdings) Limited is a limited liability company incorporated in the Bermuda under the Companies Law. The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate Information" of the Company's Annual Report.

During the year, the Group was involved in the following principal activities:

(1) development of residential and commercial properties in Mainland China;

(2) leasing of warehouse facilities and provision of management services; and

(3) manufacturing and sale of outdoor gardening products and indoor lifestyle products.

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, accounting principles generally accepted in Hong Kong and the disclosure requirement of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

Total comprehensive income within a subsidiary is attributed to the non-controlling interest 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 interest 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 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 the 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 41 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

(b) (Continued)

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

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

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*[4]
HKFRS 9	*Financial Instruments*[5]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Joint ventures

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint ventures (Continued)

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/Company has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group/Company 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/Company 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.

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. 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.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, 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. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 31 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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.

Impairment of non-financial assets

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

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

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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:

Buildings	Over the shorter of the lease terms and 2.5%
Leasehold improvements	Over the shorter of the lease terms and 10%
Plant and machinery	10%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Moulds	50%

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

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

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

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

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 operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

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

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

The Group's financial assets include a loan receivable, trade receivables, amounts due from related parties and cash and bank balances.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

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

Loans and receivables

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, other payables, interest-bearing bank and other borrowings, amounts due to related parties and convertible bonds.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing 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.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Inventories

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

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties under development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings costs attributable to the unsold properties. Net realisable value is estimated by the directors based on the prevailing market prices, on an individual property basis.

Cash and cash equivalents

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax

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

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

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

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

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

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 joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

Revenue recognition

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

(a) from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, which is when the construction work has been completed and the properties have been delivered to the buyer. Deposits and instalments received in respect of properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position under current liabilities;

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

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

(d) management income, when the related management services have been provided; and

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 7 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 a binomial model, further details of which are given in note 34 to the financial statements.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension scheme

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

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employee's salaries and are charged to the income statement as they became payable in accordance with the rules of the central pension scheme.

Borrowing costs

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's presentation currency, where the functional currency of the Company is RMB. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

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

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Estimation of fair value of investment properties

Investment properties were revalued at the end of each reporting period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The People's Republic of China ("PRC") corporate income tax ("PRC CIT")

The Group is subject to income taxes in PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation taxes ("PRC LAT")

The Group is subject to land appreciation taxes in the PRC. The provision for land appreciation taxes is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual land appreciation tax liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its land appreciation tax calculations and payments with the tax authorities for certain property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact the land appreciation tax expenses and the related provision in the period in which the differences realise.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

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

Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to completed properties held for sale upon completion. Apportionment of these costs will be recognised in the income statements upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the Group based on management's best estimate.

When developing properties, the Group may divide the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on the estimated saleable area of the entire project.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

Impairment assessment for trade receivables and loan receivables

The policy for impairment assessment for trade receivables and loan receivables of the Group is based on the evaluation of collectability and ageing analysis of trade receivables and loan receivables and on the judgement of management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer and debtor. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

4. OPERATING SEGMENT INFORMATION

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

(a) The development of residential and commercial properties in Mainland China (the "Properties Business");

(b) The leasing of warehouse facilities and provision of management services (the "Logistics Business"); and

(c) Manufacturing and sale of outdoor gardening products and indoor lifestyle products (the "Gardening Business").

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/(loss) before tax except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

4. OPERATING SEGMENT INFORMATION (Continued)

Segment assets exclude deferred tax assets, amounts due from related parties, a loan receivable, cash and bank and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, amounts due to related parties, convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2011	**Properties Business** HK$'000	**Gardening Business** HK$'000	**Logistics Business** HK$'000	**Total** HK$'000
Segment revenue:				
Sales to external customers	1,539,835	93,391	703	1,633,929
Revenue				1,633,929
Segment results	584,582	(27,834)	(1,393)	555,355
Reconciliation:				
Interest income				39,521
Share of loss of an associate	–	–	(15)	(15)
Corporate and other unallocated income and expenses				(34,263)
Finance costs				(45,444)
Profit before tax				515,154
Segment assets	268,614	15,150	520,184	803,948
Reconciliation:				
Corporate and other unallocated assets				3,258,326
Total assets				4,062,274
Segment liabilities	140,984	14,615	329	155,928
Reconciliation:				
Corporate and other unallocated liabilities				2,440,043
Total liabilities				2,595,971
Other segment information:				
Fair value loss on investments properties, net	–	–	(68)	(68)
Depreciation and amortisation	354	146	766	1,266
Investment in an associate	–	–	54,960	54,960
Capital expenditure*	122	8,292	429,713	438,127
Corporate and other unallocated capital expenditure				309
				438,436

* Capital expenditure consists of additions to property, plant and equipment, investment properties and prepaid land lease payments including assets from the acquisition of subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2010	**Properties Business** HK$'000	**Gardening Business** HK$'000	**Logistics Business** HK$'000	**Total** HK$'000 (Restated)
Segment revenue:				
Sales to external customers	–	139,387	–	139,387
Revenue				139,387
Segment results	(12,982)	(41,736)	–	(54,718)
Reconciliation:				
Interest income				14,961
Corporate and other unallocated income and expenses				(112,834)
Finance costs				(1,529)
Loss before tax				(154,120)
Segment assets	592,237	31,389	–	623,626
Reconciliation:				
Corporate and other unallocated assets				3,510,630
Total assets				4,134,256
Segment liabilities	1,382,383	36,370	–	1,418,753
Reconciliation:				
Corporate and other unallocated liabilities				1,781,001
Total liabilities				3,199,754
Other segment information:				
Depreciation and amortisation	290	2,782	–	3,072
Capital expenditure*	1,292	960	–	2,252
Corporate and other unallocated capital expenditure				3,566
				5,818

* Capital expenditure consists of additions to property, plant and equipment including assets from the acquisition of subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2011 HK$'000	2010 HK$'000
PRC	**1,558,365**	23,436
Asia Pacific (excluding PRC)	**1,261**	2,069
United States of America	**74,242**	113,823
Europe	**61**	59
	1,633,929	139,387

(b) Non-current assets

	2011 HK$'000	2010 HK$'000
PRC	**582,303**	7,411
Asia Pacific (excluding PRC)	**189,896**	52,370
United States of America	**1,211**	1,251
	773,410	61,032

Information about major customers

During the year ended 31 December 2011, none of the Group's revenue was derived from transactions with a single external customer amounting to 10% or more of the Group's revenue.

During the year ended 31 December 2010, revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2010 HK$'000
Customer A	31,290
Customer B	23,138
Customer C	21,283

NOTES TO FINANCIAL STATEMENTS

31 December 2011

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the proceeds, net of business tax surcharges, from the sale of properties; the net invoiced value of goods sold, after allowances for returns and trade discounts; the leasing income received and receivable from investment properties; and the value of management services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	Note	2011 HK$'000	2010 HK$'000
Revenue			
Sale of properties		**1,539,835**	–
Sale of goods		**93,391**	139,387
Leasing income		**689**	–
Management income		**14**	–
		1,633,929	139,387
Other income			
Bank interest income		**28,035**	11,082
Other interest income		**11,486**	–
Others		**1,365**	1,686
		40,886	12,768
Gains			
Fair value gains on investment properties	14	**–**	150
Reversal of impairment losses on trade and other receivable		**–**	864
Gain on disposal of items of property, plant and equipment		**1,370**	2,686
Foreign exchange differences, net		**20,177**	–
Recovery of other receivables written off in prior years		**–**	1,729
Gain on bargain purchase	36(a)	**4,888**	–
		26,435	5,429
		67,321	18,197

NOTES TO FINANCIAL STATEMENTS

31 December 2011

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2011 HK$'000	2010 HK$'000
Cost of inventories sold		**1,007,638**	114,769
Cost of services provided		**230**	–
Depreciation	13	**717**	3,045
Minimum lease payments under operating leases in respect of land and buildings#		**5,845**	3,551
Amortisation of land lease payments	15	**549**	27
Auditors' remuneration		**700**	1,174
Employee benefit expense (including directors' remuneration (note 8))			
Wages and salaries		**49,726**	46,920
Equity-settled share option expense		**19,127**	29,607
Pension scheme contributions (defined contribution scheme)^		**1,991**	1,059
Foreign exchange differences, net		**(20,177)**	10,251
Loss on disposal of subsidiaries	37	**27**	–
Changes in fair value of investment properties	14	**68**	(150)
Equity-settled share option expenses for consultancy service+		**16,335**	56,926
Reversal of impairment on trade receivables*		**–**	(192)
Reversal of impairment on other receivables*		**–**	(672)
Impairment loss on loan receivable*		**–**	3,945

The amount included an operating lease agreement with BHL to lease office premises in Beijing from 1 January 2010 to 31 December 2011. The lease payment was HK$946,000 during the year ended 31 December 2011 (2010: HK$905,000).

^ At 31 December 2011, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years (2010: Nil).

+ The amount represents equity-settled share option expenses for share options granted to various consultants under the share option scheme of the Company adopted on 18 March 2010 during the years ended 31 December 2011 and 2010. Details of which are set out in note 34.

* The reversal of impairment on trade receivables, reversal of impairment on other receivables and impairment loss on loan receivable are included in "Other expenses" in the consolidated income statement.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2011 HK$'000	2010 HK$'000 (Restated)
Imputed interest on convertible bonds	**43,961**	1,063
Interest on bank and other borrowings wholly repayable within five years	**1,483**	466
	45,444	1,529

NOTES TO FINANCIAL STATEMENTS

31 December 2011

8. DIRECTORS' REMUNERATION

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

	2011				
Name of director	Fee HK$'000	Salaries and allowance HK$'000	Contribution to retirement benefit scheme HK$'000	Share based payment HK$'000	Total HK$'000
Executive directors:					
Zhou Si (note a)	120	–	–	1,708	1,828
Ang Keng Lam (note a)	120	–	–	1,464	1,584
Yu Li (note a)	120	–	–	1,464	1,584
Xu Taiyan (note a)	120	–	–	1,220	1,340
Qian Xu	120	1,371	–	1,464	2,955
Jiang Xinhao (note a)	120	–	–	1,220	1,340
Meng Fang (note a)	120	–	–	1,220	1,340
Siu Kin Wai	120	–	–	1,220	1,340
Yu Luning (note a)	120	–	–	1,220	1,340
Liu Xueheng (note a)	120	–	–	1,220	1,340
Lei Zhengang (note b)	–	–	–	–	–
Non-executive director:					
Lin Chun Kuei	–	1,952	12	–	1,964
Independent non-executive directors:					
Ng Tang Fai, Ernesto	120	–	–	488	608
Goh Gen Cheung	120	–	–	488	608
Ma Chiu Cheung Andrew	120	–	–	488	608
James Chan (note c)	70	–	–	488	558
Zhu Wuxiang (note a)	120	–	–	488	608
	1,750	3,323	12	15,860	20,945

NOTES TO FINANCIAL STATEMENTS

31 December 2011

8. DIRECTORS' REMUNERATION (Continued)

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

	2010				
Name of director	Fee	Salaries and allowance	Contribution to retirement benefit scheme	Share based payment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:					
Lei Zhengang	120	–	–	3.090	3.210
Qian Xu	120	426	–	2,649	3,195
Siu Kin Wai	120	–	–	2,207	2,327
Non-executive director:					
Lin Chun Kuei	–	3,765	12	1,873	5,650
Independent non-executive directors:					
Ng Tang Fai, Ernesto	140	–	–	853	993
Goh Gen Cheung	140	–	–	853	993
Ma Chiu Cheung Andrew	140	–	–	853	993
	780	4,191	12	12,378	17,361

Notes:

a) Appointed on 1 January 2011

b) Resigned on 1 January 2011

c) Appointed on 3 June 2011

During the years ended 31 December 2011 and 2010, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 34 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2010: one) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four non-director, highest paid employees for the year ended 31 December 2010 are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**–**	3,548
Performance related bonuses	**–**	4,254
Equity-settled share option expense	**–**	–
Pension scheme contributions	**–**	34
	–	7,836

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

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**–**	2
	–	4

NOTES TO FINANCIAL STATEMENTS

31 December 2011

10. INCOME TAX

	2011 **HK$'000**	2010 HK$'000
Current –		
PRC CIT	**155,216**	191
PRC LAT	**116,130**	–
Overseas	**5**	–
Underprovision in prior years –		
PRC	**–**	43
Overseas	**6**	28
Deferred	**(20,959)**	–
Total tax charge for the year	**250,398**	262

Hong Kong profits tax

No provision for Hong Kong profits tax has been made for the years ended 31 December 2011 and 2010 as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2011 and 2010.

PRC CIT

The PRC CIT in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits, based on the existing legislation, interpretations and practices in respect thereof.

PRC LAT

PRC LAT is levied at 30% on the appreciation of the land value, being the proceeds from sales of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures in accordance with the relevant PRC tax laws and regulations.

10. INCOME TAX (Continued)

Overseas profit tax

Taxes on profits assessable overseas have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Year Ended 31 December			
	2011		2010	
	HK$'000	**%**	HK$'000	%
			(Restated)	
Profit/(loss) before tax	**515,154**		(154,120)	
Tax at the statutory tax rates	**128,789**	**25.0**	(25,430)	16.5
Effect of different income tax regimes	**294**	**0.1**	371	(0.2)
Effect of withholding tax at 10%	**18,534**	**3.6**	–	–
Income not subject to tax	**(4,194)**	**(0.9)**	(204)	0.1
Expenses not deductible for tax	**7,360**	**1.4**	14,600	(9.5)
Tax losses not recognised	**15,715**	**3.1**	11,945	(7.8)
PRC LAT	**116,126**	**22.5**	–	–
Tax effect of PRC LAT	**(29,032)**	**(5.6)**	–	–
Under provision in prior years	**6**	**–**	71	–
Utilisation of tax losses previously not recognised	**(3,200)**	**(0.6)**	(1,091)	0.7
Tax charge at the Group's effective rate	**250,398**	**48.6**	262	(0.2)

11. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a loss of HK$123,679,000 (2010: HK$103,769,000) which has been dealt with in the financial statements of the Company (note 35(b)).

NOTES TO FINANCIAL STATEMENTS

31 December 2011

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,677,916,664 (2010: 3,426,307,781) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2011 and 2010 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment, and motor vehicles HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2011							
At 31 December 2010 and at 1 January 2011:							
Cost	–	5,867	8,117	15,631	656	–	30,271
Accumulated depreciation	–	(4,761)	(7,369)	(13,117)	(528)	–	(25,775)
Net carrying amount	–	1,106	748	2,514	128	–	4,496
At 1 January 2011, net of accumulated depreciation	–	1,106	748	2,514	128	–	4,496
Additions	–	7,337	1,444	336	–	–	9,117
Disposals	–	(48)	(737)	(626)	–	–	(1,411)
Acquisition of subsidiaries (note 36)	9,163	–	2,860	467	–	2,019	14,509
Disposal of subsidiaries (note 37)	–	(6,847)	–	(301)	(80)	–	(7,228)
Depreciation provided during the year	(60)	(185)	(209)	(203)	(60)	–	(717)
Exchange realignment	42	2	43	35	12	11	145
At 31 December 2011, net of accumulated depreciation	9,145	1,365	4,149	2,222	–	2,030	18,911
At 31 December 2011:							
Cost	9,202	6,066	10,274	4,651	–	2,030	32,223
Accumulated depreciation	(57)	(4,701)	(6,125)	(2,429)	–	–	(13,312)
Net carrying amount	9,145	1,365	4,149	2,222	–	2,030	18,911

NOTES TO FINANCIAL STATEMENTS

31 December 2011

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures, equipment, and motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
31 December 2010						
At 1 January 2010:						
Cost	8,464	4,553	11,095	15,165	633	39,910
Accumulated depreciation	(1,527)	(4,093)	(10,588)	(14,405)	(515)	(31,128)
Net carrying amount	6,937	460	507	760	118	8,782
At 1 January 2010, net of accumulated depreciation	6,937	460	507	760	118	8,782
Additions	–	1,572	1,358	2,888	–	5,818
Disposals	(6,673)	(20)	(448)	(248)	–	(7,389)
Depreciation provided during the year	(357)	(942)	(729)	(1,017)	–	(3,045)
Exchange realignment	93	36	60	131	10	330
At 31 December 2010, net of accumulated depreciation	–	1,106	748	2,514	128	4,496
At 31 December 2010:						
Cost	–	5,867	8,117	15,631	656	30,271
Accumulated depreciation	–	(4,761)	(7,369)	(13,117)	(528)	(25,775)
Net carrying amount	–	1,106	748	2,514	128	4,496

The Group's buildings are situated in Mainland China and are held under medium term leases.

At 31 December 2011, the Group's properties with a net carrying amount of approximately HK$ 7,259,000 (2010: Nil) were pledged to secure certain bank loans granted to the Group (note 31).

NOTES TO FINANCIAL STATEMENTS

31 December 2011

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements	Furniture, fixtures and equipment	Total
	HK$'000	HK$'000	HK$'000
31 December 2011			
At 1 January 2011, net of accumulated depreciation	–	88	88
Depreciation provided during the year	–	(44)	(44)
At 31 December 2011, net of accumulated depreciation	–	44	44
At 31 December 2011:			
Cost	289	136	425
Accumulated depreciation	(289)	(92)	(381)
Net carrying amount	–	44	44

NOTES TO FINANCIAL STATEMENTS

31 December 2011

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
31 December 2010			
At 1 January 2010:			
Cost	289	112	401
Accumulated depreciation	(46)	(9)	(55)
Net carrying amount	243	103	346
At 1 January 2010, net of accumulated depreciation	243	103	346
Additions	–	26	26
Depreciation provided during the year	(243)	(41)	(284)
At 31 December 2010, net of accumulated depreciation	–	88	88
At 31 December 2010 and at 1 January 2011:			
Cost	289	138	427
Accumulated depreciation	(289)	(50)	(339)
Net carrying amount	–	88	88

NOTES TO FINANCIAL STATEMENTS

31 December 2011

14. INVESTMENT PROPERTIES

		Group	
	Notes	**2011 HK$'000**	2010 HK$'000
Carrying amount at 1 January		**500**	350
Acquisition of subsidiaries	36	**162,945**	–
Net gain/(loss) from fair value adjustments		**(68)**	150
Disposal of subsidiaries	37	**(500)**	–
Exchange realignment		**660**	–
Carrying amount at 31 December		**163,537**	500

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

The Group's investment properties were revalued on 31 December 2011 by Asset Appraisal Limited, independent professionally qualified valuers, at HK$163,537,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a) to the financial statements.

At 31 December 2011, the Group's investment properties with a carrying value of HK$149,736,000 (2010: Nil) were pledged to secure general banking facilities granted to the Group (note 31).

Further particulars of the Group's investment properties are included on page 121.

15. PREPAID LAND LEASE PAYMENTS

		Group	
	Note	**2011 HK$'000**	2010 HK$'000
Carrying amount at 1 January		**–**	3,278
Disposal		**–**	(3,300)
Acquisition of subsidiaries	36	**251,991**	–
Recognised during the year		**(549)**	(27)
Exchange realignment		**1,154**	49
Carrying amount at 31 December		**252,596**	–
Current portion included in prepayments, deposits and other receivables		**(6,590)**	–
Non-current portion		**246,006**	–

The leasehold lands are situated in Mainland China and are held under a medium term lease.

At 31 December 2011, the Group's prepaid land lease payments with a carrying value of HK$252,596,000 (2010: Nil) were pledged to secure general banking facilities granted to the Group (note 31).

NOTES TO FINANCIAL STATEMENTS

31 December 2011

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**211,218**	56,113

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of HK$601,639,000 (2010: HK$199,483,000) and HK$11,707,000 (2010: HK$3,669,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Zhi Jian Limited^	British Virgin Islands/ Hong Kong	US$1.00	100	–	Investment holding
Beijing Inland Port International Logistics Co., Ltd. ("Lugang")+	PRC/Mainland China	RMB199,095,322.22	–	84.24	Logistics services
New Concord Properties Limited	Hong Kong	HK$1.00	–	100	Investment holding
BHL Investment Consulting Co., Ltd. +*^	PRC/Mainland China	US$10,000,000	–	100	Investment consulting
Zenna Investments Limited^	British Virgin Islands/ Hong Kong	US$1.00	100	–	Investment holding
Beijing Jingtai Tongcheng Property Co., Ltd. +^	PRC/Mainland China	RMB288,705,000	–	60	Properties development
HPT Group (USA), Inc. ^	The United States of America	US$9,560,000	–	100	Investment holding
Silkroadgifts, Inc. ^	The United States of America	US$95,000	–	100	Wholesale of giftware and stationery and development of new products

NOTES TO FINANCIAL STATEMENTS

31 December 2011

16. INVESTMENTS IN SUBSIDIARIES (Continued)

+ The English names of these companies are direct transliterations of their Chinese registered name.

* BHL Investment Consulting is registered as a wholly-foreign-owned enterprise under PRC law.

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

During the year, the Group acquired Zhi Jian Limited from a subsidiary of a substantial shareholder of the Company. Further details of this acquisition are included in notes 43 and 50(b)(ii) to the financial statements.

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.

The carrying amounts of amounts due from/to subsidiaries approximate to their fair values.

17. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2011	2010
	HK$'000	HK$'000
Share of net assets	**–**	–

Particulars of the jointly-controlled entity are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Beijing Bei Jian Tong Cheng International Logistics Co., Ltd +^	Registered capital of RMB1 each	PRC	52%	52%	52%	Logistic service

+ The English name of this company is direct transliteration of its Chinese registered name.

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

The Group's shareholdings in the jointly-controlled entity are held through subsidiaries of the Company.

As the jointly-controlled entity was incorporated near the year end of 31 December 2011, no income or expense was recognised for the year ended 31 December 2011. The investment in the jointly-controlled entity was injected in February 2012.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

18. INVESTMENT IN AN ASSOCIATE

	Group 2011 HK$'000	Group 2010 HK$'000
Share of net assets	**54,960**	–

Particulars of the associate are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration	Percentage of ownership interest attributable to the Group	Principal activities
Beijing Jingjin Port International Logistics Company Limited+*	Registered capital of RMB1 each	PRC	33.37%	Logistic service

+ The English name of this Company is direct transliterations of its Chinese registered name.

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

The following table illustrates the summarised financial information of the Group's associate extracted from its management accounts:

	2011 HK$'000	2010 HK$'000
Assets	**171,080**	–
Liabilities	**6,380**	–
Revenues	**67,767**	–
Loss	**45**	–

The Group's shareholding in the associate is held through a subsidiary of the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

19. DEFERRED TAX

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

Deferred tax assets

Group

	2011
	Others
	HK$'000
At 1 January 2011	–
Deferred tax credited to the income statement during the year	39,874
Exchange realignment	935
Gross deferred tax assets at 31 December 2011	40,809

Deferred tax liabilities

Group

	Note	**Revaluation of properties**	**Withholding taxes**	**Others**	**Total**
		HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010, 31 December 2010 and 1 January 2011		–	–	562	562
Acquisition of subsidiaries	36	65,594	–	–	65,594
Deferred tax charged to the income statement during the year		–	18,915	–	18,915
Exchange realignment		97	–	–	97
Gross deferred tax liabilities at 31 December 2011		65,691	18,915	562	85,168

The Group has tax losses arising in Hong Kong of HK$518,699,000 (2010: HK$394,071,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

19. DEFERRED TAX (Continued)

The Group has tax losses arising in Mainland China of HK$130,240,00 (2010: HK$135,785,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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

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

20. DEPOSITS PAID FOR LAND USE RIGHTS

As at 31 December 2011, the deposits paid for land use rights represent deposits made for acquisition of land use rights which the Group intends to hold on a long term basis. HK$146,000,000 of the total balance has been subsequently transferred to prepaid land lease payment, please refer to note 44 "Events after the Reporting Period" for more details.

21. LOAN RECEIVABLE

The balance of 2010 represents consideration receivable in relation to the Group's disposal of its 100% equity interest in Peaktop Technologies Limited ("PTL"), a former subsidiary of the Company, to an independent third party in September 2009. The total receivable amount is RMB60,000,000 (equivalent to HK$70,781,000). The amount is interest-bearing at the prevailing standard lending rate specified by People's Bank of China and secured by the 25% equity interest of PTL. The amount was originally repayable by six annual and unequal instalments.

On 15 December 2011, the loan receivable was disposed of when the Group disposed of the 100% equity interest in Peaktop Investment Holdings (B.V.I.) Limited to Best Turn Group Limited, an independent third party. Please refer to note 37 "Disposal of Subsidiaries" for more details.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

22. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**–**	1,623
Finished goods	**–**	1,892
	–	3,515

23. PROPERTIES UNDER DEVELOPMENT

	Group	
	2011	2010
	HK$'000	HK$'000
Properties under development expected to be completed within the normal operating cycle and recovered within one year	**–**	592,237

The Group's properties under development are situated in Mainland China and the related land is held under a medium term lease.

24. COMPLETED PROPERTIES HELD FOR SALE

The Group's completed properties held for sale are situated in Mainland China and the related land is held under a medium term lease. All the completed properties held for sale are stated at cost.

25. TRADE RECEIVABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**16,502**	27,826
Impairment	**(452)**	(452)
	16,050	27,374

NOTES TO FINANCIAL STATEMENTS

31 December 2011

25. TRADE RECEIVABLES (Continued)

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 14 to 60 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the due date and net of provisions, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within credit period	**2,587**	27,170
Overdue:		
Within one month	**10,722**	4
1 to 3 months	**2,300**	118
4 to 6 months	**299**	82
more than 6 months	**142**	–
	16,050	27,374

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**452**	644
Impairment losses reversed	**–**	(192)
	452	452

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$452,000 (2010: HK$452,000) with a carrying amount before provision of HK$452,000 (2010: HK$452,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in both interest and/or principal payments and none of the receivables is expected to be recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

25. TRADE RECEIVABLES (Continued)

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**2,588**	27,170
Less than 1 month past due	**10,722**	4
1 to 3 months past due	**2,740**	200
	16,050	27,374

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

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

The carrying amounts of the trade receivables approximate to their fair values.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayment to suppliers	**–**	4,946	**–**	–
Other prepayments	**2,248**	1,619	**1,552**	589
Deposits	**267**	886	**–**	–
Prepaid tax in Mainland China other than income tax	**–**	86,190	**–**	–
Prepaid income tax in Mainland China	**–**	24,692	**–**	–
Prepaid land lease payments	**6,590**	–	**–**	–
Other receivables	**10,763**	4,906	**10,000**	–
	19,868	123,239	**11,552**	589

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

The carrying amounts of prepayments, deposits and other receivables approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

27. AMOUNTS DUE FROM/TO RELATED PARTIES

Particular of amounts due from related parties are as follows:

Name of related party	Relationship	Group 2011 HK$'000	Group 2010 HK$'000
Kerry Logistics (China) Investment Limited	Joint venture partner of a subsidiary	**48,598**	–
Hutchison Port Beijing Limited	Joint venture partner of a subsidiary	**48,598**	–
Beijing BHL Investment Centre	Non-controlling interest of a subsidiary/Subsidiary of a substantial shareholder of the Company	**85,728**	11,207
Beijing Jinchen Wantong Investment Management Co, Ltd.*	Non-controlling interest of a subsidiary	**74,010**	–
Beijing Hutchison Jingtai Logistics Co, Ltd.*	Jointly-controlled entity of a substantial shareholder of the Company	**25**	–
		256,959	11,207

Particular of amounts due to related parties are as follows:

Name of related party	Relationship	Group 2011 HK$'000	Group 2010 HK$'000
Beijing Jingtai Logistics Property Co, Ltd.*	Subsidiary of a substantial shareholder of the Company	**122,008**	–
Beijing Hutchison Jingtai Logistics Co, Ltd.*	Jointly-controlled entity of a substantial shareholder of the Company	**10,866**	–
Beijing Shibali Agriculture, Industrial & Commercial Operation Service Centre*	Non-controlling interest of a subsidiary	**2,466**	–
Beijing Capital Group Limited*	Non-controlling interest of a subsidiary	**2,237**	–
Beijing BHL Investment Centre	Non-controlling interest of a subsidiary/Subsidiary of a substantial shareholder of the Company	**14,854**	–
Lei Zhengang	Director of the Company	**250**	250
Bai Jinroung	Director of a substantial shareholder of the Company	**–**	360
		152,681	610

* The English names of these companies are direct transliterations of their Chinese registered names.

The balances with the related parties are unsecured, interest free and repayable within one year.

The carrying amounts of the amounts due from/to related parities approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

28. CASH AND BANK

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**444,950**	2,702,053	**77,594**	1,804,292
Time deposits	**2,428,459**	601,802	**1,829,524**	601,802
Cash and bank	**2,873,409**	3,303,855	**1,907,118**	2,406,094

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$2,374,734,000 (2010: HK$1,361,086,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

The carrying amounts of the cash and bank approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

29. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2011	2010
	HK$'000	HK$'000
Within 1 month	**9,066**	18,199
1 month	**2,902**	9,764
2 to 3 months	**87**	2,446
Over 3 months	**109,371**	5,961
	121,426	36,370

The trade payables are non-interest-bearing and are repayable within the normal operating cycle or on demand.

The carrying amounts of the trade payables approximate to their fair values.

30. OTHER PAYABLES AND ACCRUALS

	Group		**Company**	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**83,813**	2,643	**9,543**	222
Accruals	**3,459**	29,293	**961**	1,462
	87,272	31,936	**10,504**	1,684

Other payables are non-interest-bearing and have an average term of three months.

The carrying amounts of other payables and accruals approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2011 Effective interest rate (%)	2011 Maturity	2011 HK$'000	2010 Effective interest rate (%)	2010 Maturity	2010 HK$'000
Current						
Bank loans – unsecured	6.06 – 9.71	2012	21,278	–	–	–
Bank loans – secured	5.4	2012	77,624	–	–	–
US dollar bank loans – secured	The higher of 5.75 or WSJP+ + 0.5	2012	2,477	–	–	–
Other borrowings – unsecured	0 – 5.58	2012	25,526			–
			126,905			–
Non-current						
Bank loans – unsecured	10.00	2014	64,543	–	–	–
Other borrowings – unsecured	5.76	2013 – 2014	13,001	–	–	–
			77,544			–
			204,449			–

+ WSJP – Wall Street Journal Prime Rate.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

31. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

	Group	
	2011	2010
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**101,379**	–
In the third to fifth years, inclusive	**64,543**	–
	165,922	–
Other borrowings repayable:		
Within one year	**25,526**	–
In the third to fifth years, inclusive	**13,001**	–
	38,527	–
	204,449	–

Notes:

(a) Certain of the Group's bank loans are secured by:

(i) mortgages over the Group's investment properties situated in Mainland China, which had an aggregate carrying value at the end of the reporting period of HK$149,736,000 (2010: Nil);

(ii) mortgages over the Group's buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK$7,259,000 (2010: Nil); and

(ii) mortgages over the Group's prepaid land lease payments, which had an aggregate carrying value at the end of the reporting period of approximately HK$252,596,000 (2010: Nil).

(b) Except for the US dollar secured bank loans, which is denominated in United States dollars, all borrowings are denominated in RMB.

(c) The bank loans with a total principal amount of approximately HK$12,643,000 were guaranteed by a non-controlling shareholder of a subsidiary of the Group.

(d) A bank loan with principal amount of approximately HK$2,477,000 was (i) personally guaranteed by a director of the Company and (ii) secured by floating charges over the assets of a subsidiary of the Company with aggregated carrying amount of approximately HK$16,255,000.

The carrying amounts of interest-bearing bank and other borrowings approximate to their fair values.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

32. CONVERTIBLE BONDS

On 3 December 2010 and 31 December 2010, the Company issued convertible bonds of HK$499,850,000 to independent third parties and HK$1,500,000,000 to Beijing Enterprise Group (BVI) Company Limited ("BE Group BVI"), respectively. The terms of these convertible bonds are summarised as follows:

Conversion price	HK$0.65 per share, subject to adjustment
Coupon rate	Nil
Maturity date	Five anniversary years from the date of issue of the convertible bonds
Exchange rate	On conversion or settlement, principal amounts of the non-redeemable convertible bonds will be converted into RMB at a fixed exchange rate quoted by the People's Bank of China at the date of issue of the redeemable convertible bonds.
Redemption option of the holders of the convertible bonds	The Company will, at the option of the holders of any convertible bonds, redeem all or some of the convertible bonds held by such holders on any day after the first anniversary of the issue of the convertible bonds (the "Put Option Date") at their principal amount. To exercise such right, the holders of the relevant convertible bonds must complete, sign and deposit at the principal place of business of the Company in Hong Kong a duly completed and signed put notice in the form for the time being current, obtainable from the principal place of business of the Company in Hong Kong, together with the certificate evidencing the convertible bonds to be redeemed. The put notice should be given not less than thirty days or more than 90 days prior to the Put Option Date.
Conversion rights of the holders of the convertible bonds	The holders of the convertible bonds have the right to convert their convertible bonds into ordinary shares of the Company at the conversion price of HK$0.65 at any time before the maturity date or before the exercise of redemption at the option of the Company/holders of the convertible bonds. The number of ordinary shares of the Company to be issued will be determined by dividing the principal amount of the convertible bonds to be converted by the conversion price in effect at the conversion date.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

32. CONVERTIBLE BONDS (Continued)

Redemption option of the Company	:	(i) On giving not less than thirty or more than ninety days' notice to the holders of the convertible bonds, the Company may at any time prior to maturity date redeem all or some (being HK$10,000 in principal amount or an integral multiple thereof) of the convertible bonds for the time being outstanding at their principal amount provided that the closing price of the Company's shares for each ten consecutive trading days, the last of which occurs not more than ten days prior to the date on which notice of such redemption is published, was at least HK$1.00; or (ii) The Company may at any time prior to the maturity date redeem all or some of the convertible bonds for the time being outstanding at their principal amount provided that prior to the date of such notice at least 90% in principal amount of the convertible bonds originally issued have already been converted, redeemed or cancelled.
Conversion rights of the Company	:	The Company may, having given not less than thirty or more than ninety days' notice, at its absolute discretion request any one or more holders of convertible bonds (which notice will be irrevocable) to exercise their respective conversion right attaching to their convertible bonds, to convert all or some of such convertible bonds for the time being outstanding at their principal amount, provided that no such conversion request may be made by the Company unless the closing price of the Company's shares, for each of the ten consecutive trading day immediately prior to the date upon which notice of such conversion is given, is at least HK$1.00.
Redemption for tax reasons	:	The convertible bonds may be redeemed at the option of the Company in whole or in part on giving not less than thirty days or more than sixty days' notice at their principal amount if: (i) The Company will become obliged to pay any additional amounts in respect of any payment under the convertible bonds as a result of any change in or amendment to the laws or regulations of the Bermuda or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment, becomes effective on or after 25 June 2010; and (ii) Such obligation cannot be avoided by the Company taking reasonable measures available to the Company.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

32. CONVERTIBLE BONDS (Continued)

Owing to the redemption option as described above, the holders of the convertible bonds can request the Company to redeem all or some of the convertible bonds on any day after 31 December 2011, the liability component of the convertible bonds is classified as current liabilities accordingly.

The price adjustment feature of the convertible bonds is to protect the convertible bond holders against dilution and the fixed exchange rate feature of the convertible bonds implies that the convertible bonds in substance are RMB bonds with face value amounting to RMB1,705,021,000, and the conversion feature of the convertible bonds will be resulted in the settlement of the financial liability by exchange of a fixed amount of cash for a fixed number of the Company's share, so it is an equity instrument of the Company.

As disclosed in prior year's financial statements, the fair value of the liability component of the convertible bonds of HK$1,354,188,000 was estimated at the issuance date using an equivalent market interest rate for similar bonds without a conversion option, this amount was recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the convertible bonds' maturity date. The residual amounts of HK$645,662,000 were assigned as the equity component and were included in the shareholders' equity.

In the current year, the Company engaged CBRE, independent professionally qualified valuers, to perform a fair value calculation of the liability component of the convertible bonds, including the host debt contract and the options in respect of the redemption of the convertible bonds, using an equivalent market interest rate for similar bonds without any conversion option elements, and with the residual values assigned as the equity component at the issuance date. Based on the valuation report prepared by CBRE, the fair value of the liability component and the equity component was HK$1,763,530,000 and HK$236,320,000, respectively. The fair value of the host debt contract and the options in respect of the redemption of the convertible bonds within the liability component was HK$1,334,388,000 and HK$429,142,000, respectively. Prior year adjustments are made to rectify the valuation differences.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

32. CONVERTIBLE BONDS (Continued)

Group:

An analysis of the prior year adjustments on each financial statement line item affected for the year ended 31 December 2010 is as follows:

	As previously reported 31 December 2010 HK$'000	As restated 31 December 2010 HK$'000	Adjustments HK$'000
Consolidated income statement			
The imputed interest on convertible bonds	2,075	1,063	(1,012)
Total finance cost	2,541	1,529	(1,012)
Loss before tax	155,132	154,120	(1,012)
Loss for the year	155,394	154,382	(1,012)
Loss for the year attributable to owners of the parent	153,765	152,753	(1,012)
Loss per share attributable to ordinary equity holders of the parent (basic and diluted)	4.5 HK cents	4.5 HK cents	–
Consolidated statement of comprehensive income			
Total comprehensive loss for the year	135,861	134,849	(1,012)
Total comprehensive loss attributable to owners of the parent	135,739	134,727	(1,012)
Consolidated statement of financial position			
Convertible bonds	1,339,877	1,747,876	407,999
Total current liabilities	2,791,193	3,199,192	407,999
Net current assets	1,282,031	874,032	(407,999)
Total assets less current liabilities	1,343,063	935,064	(407,999)
Net assets	1,342,501	934,502	(407,999)
Equity component of convertible bonds	642,763	233,752	(409,011)
Total equity	1,342,501	934,502	(407,999)

Company:

Statement of financial position			
Convertible bonds	1,339,877	1,747,876	407,999
Total current liabilities	1,345,230	1,753,229	407,999
Net current assets	1,260,936	852,937	(407,999)
Total assets less current liabilities	1,317,137	909,138	(407,999)
Net assets	1,317,137	909,138	(407,999)
Equity component of convertible bonds	642,763	233,752	(409,011)
Total equity	1,317,137	909,138	(407,999)

NOTES TO FINANCIAL STATEMENTS

31 December 2011

32. CONVERTIBLE BONDS (Continued)

As the convertible bonds were issued in December 2010, the above adjustment has no effect to the statement of financial position as at the beginning of the earliest comparative period (i.e. 1 January 2010) of the Group and the Company, therefore, no comparative information of 1 January 2010 is disclosed.

The movements of the convertible bonds during the year are as follows:

Liability component

Group and Company	**2011** **HK$'000**	2010 HK$'000 (Restated)
Balance at 1 January	**1,747,876**	–
Nominal value of convertible bonds issued during the year	**–**	1,999,850
Equity component	**–**	(645,662)
Direct transaction costs attributable to the liability component	**–**	(10,333)
	1,747,876	1,343,855
Conversion to ordinary shares	**(98,835)**	(6,053)
Redemption	**(10,400)**	–
Interest expenses	**43,961**	2,075
	1,682,602	1,339,877
Prior year adjustments on		
– liability component	**–**	409,342
– direct transaction costs	**–**	1,364
– conversion to ordinary shares	**–**	(1,695)
– interest expenses	**–**	(1,012)
Balance at 31 December	**1,682,602**	1,747,876

NOTES TO FINANCIAL STATEMENTS

31 December 2011

32. CONVERTIBLE BONDS (Continued)

Equity component

Group and Company	**2011** **HK$'000**	2010 HK$'000 (Restated)
Balance at 1 January	**233,752**	–
Convertible bonds issued during the year	**–**	645,662
Conversion to ordinary shares	**(15,199)**	(2,899)
Redemption	**(1,564)**	–
	216,989	642,763
Prior year adjustments on		
– equity component	**–**	(409,342)
– direct transaction costs	**–**	(1,364)
– conversion to ordinary shares	**–**	1,695
Balance at 31 December	**216,989**	233,752

During the year ended 31 December 2011, convertible bonds in the aggregate principal amount of HK$114,920,000 (2010: HK$9,100,000) have been converted into 176,800,000 (2010: 14,000,000) new ordinary shares of the Company.

During the year ended 31 December 2011, convertible bonds in the aggregate principal amount of HK$11,830,000 (2010: Nil) have been redempted by the bond holders.

If the conversion options of the convertible bonds are fully exercised, 3,076,692,308 new ordinary shares of the Company will be issued based on the initial conversion price of HK$0.65 per share.

Any outstanding convertible bonds will be converted into new ordinary shares of the Company mandatorily on maturity.

The carrying amounts of the Company and the Group's liability component of convertible bonds approximate to their fair value.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

33. SHARE CAPITAL

Shares

	Group and Company	
	2011	2010
	HK$'000	HK$'000
Authorised:		
10,000,000,000 (2010:10,000,000,000) ordinary shares of HK$0.10 each	**1,000,000**	1,000,000
Issued and fully paid:		
3,837,788,500 (2010: 3,536,558,500) ordinary shares of HK$0.10 each	**383,779**	353,656

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

	Notes	Number of ordinary shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2010		3,239,196,000	323,920	463,436	787,356
Issue of shares on exercise of warrants	(a)	200,000,000	20,000	82,000	102,000
Issue of consideration shares	(b)	83,362,500	8,336	1,082	9,418
Issue of shares on conversion of convertible bonds	(c)	14,000,000	1,400	7,552	8,952
At 31 December 2010 and 1 January 2011		3,536,558,500	353,656	554,070	907,726
Issue of consideration shares	(d)	124,430,000	12,443	41,062	53,505
Issue of shares on conversion of convertible bonds	(e)	176,800,000	17,680	96,354	114,034
At 31 December 2011		3,837,788,500	383,779	691,486	1,075,265

NOTES TO FINANCIAL STATEMENTS

31 December 2011

33. SHARE CAPITAL (Continued)

Shares (Continued)

Notes:

(a) On 9 April 2010, holders of the unlisted warrants exercised their rights to subscribe for 200,000,000 ordinary shares of the Company at the subscription price of HK$0.5 per share, resulting in the issue of 200,000,000 shares of HK$0.1 each for a total cash consideration of HK$100,000,000.

(b) On 9 July 2010, the Company allotted and issued 83,362,500 ordinary shares of the Company as part of the consideration for the acquisition of assets and liabilities of subsidiaries as set out in Note 36.

(c) During the year ended 31 December 2010, convertible bonds in an aggregated face value amount of HK$9,100,000 have been converted into 14,000,000 ordinary shares of the Company at the conversion price of HK$0.65 per share.

(d) On 21 November 2011, the Company allotted and issued 124,430,000 ordinary shares of the Company as part of the consideration for the acquisition of Zhi Jian Limited as set out in note 36.

(e) During the year ended 31 December 2011, convertible bonds in an aggregated face value amount of HK$114,920,000 have been converted into 176,800,000 ordinary shares of the Company at the conversion price of HK$0.65 per share.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the financial statements.

Warrants

On 24 September 2009, 200,000,000 unlisted warrants were issued by the Company at an issue price of HK$0.01 per unit of warrant. Each warrant entitled the holder thereof to subscribe for one ordinary share of the Company of HK$0.1 at a subscription price of HK$0.50 per share, payable in cash and subject to adjustment in the event of a capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company, during the period of two years from the date of the issue of warrants. The proceeds received from the issue of warrants of HK$2,000,000 are credited to equity (warrant reserve).

During the year ended 31 December 2010, all warrants have been fully exercised to subscribe for ordinary shares of the Company, resulting in the issue of 200,000,000 additional ordinary shares of HK$0.1 each.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

34. SHARE OPTION SCHEME

On 18 March 2010, the Company has adopted a new share option scheme (the "Scheme") to replace the old share option scheme adopted on 18 June 2002 and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date. The purpose of the Scheme is to attract and retain the best quality personnel of the Group for the development of the Group's business; to provide additional incentives to employees, officers and directors, contractors, suppliers, advisors and consultants who have contribution to the Group; and to promote the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company. The directors of the Company may, at their discretion, invite employees (including executive directors) and Non-Executive Directors of the Company and any of its subsidiaries, to take up options to subscribe for ordinary shares of the Company at HK$1 per grant of options.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the total number of ordinary shares of the Company in issue at any time. The total number of ordinary shares of the Company issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to any one person must not exceed 1% of the total number of ordinary shares of the Company in issue.

An option granted under the Scheme is personal to the grantee and shall not be assignable or transferable.

The period during which an option granted under the Scheme may be exercised will be determined by the Board at their discretion, save that no option may be exercised later than 10 years after the grant date. No option may be granted more than 10 years after the date of approval of the Scheme.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's ordinary shares on the SEHK on the date of grant, which must be a trading day; (ii) the average closing price of the Company's ordinary shares on the SEHK on the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of an ordinary share of the Company..

NOTES TO FINANCIAL STATEMENTS

31 December 2011

34. SHARE OPTION SCHEME (Continued)

The following tables disclose details of the Company's share options held by the employees, directors and consultants and movements in those options under the share option scheme during the years ended 31 December 2011 and 2010:

2011

				Number of options				
	Date of grant**	Exercise period	Exercise price***	Outstanding at 1 January 2011	Granted during the period	Exercise during the period	Forfeited during the period	Outstanding at 31 December 2011
Directors	8.4.2010*	8.4.2010 – 7.4.2020	0.820	43,550,000	–	–	–	43,550,000
	27.4.2010	27.4.2010 – 26.4.2020	0.808	6,000,000	–	–	–	6,000,000
	11.5.2010	11.5.2010 – 10.5.2020	0.820	5,000,000	–	–	–	5,000,000
	28.10.2011	28.10.2011 – 27.10.2021	0.465	–	65,000,000	–	–	65,000,000
Employees	8.4.2010	8.4.2010 – 7.4.2020	0.820	58,500,000	–	–	(1,500,000)	57,000,000
	11.5.2010	11.5.2010 – 10.5.2020	0.820	5,200,000	–	–	(800,000)	4,400,000
	17.6.2010	17.6.2010 – 16.6.2020	0.820	1,400,000	–	–	–	1,400,000
	28.10.2011	28.10.2011 – 27.10.2021	0.465	–	22,500,000	–	–	22,500,000
Consultants	8.4.2010*	8.4.2010 – 7.4.2020	0.820	183,050,000	–	–	–	183,050,000
	11.5.2010	11.5.2010 – 10.5.2020	0.820	2,000,000	–	–	–	2,000,000
	17.6.2010	17.6.2010 – 16.6.2020	0.820	1,000,000	–	–	–	1,000,000
	28.10.2011	28.10.2011 – 27.10.2021	0.465	–	112,500,000	–	–	112,500,000
				305,700,000	200,000,000	–	(2,300,000)	503,400,000
Exercisable at the end of the year								503,400,000

NOTES TO FINANCIAL STATEMENTS

31 December 2011

34. SHARE OPTION SCHEME (Continued)

2010

	Date of grant**	Exercise period	Exercise price***	Number of options: Outstanding at 1 January 2010	Granted during the period	Exercise during the period	Outstanding at 31 December 2010
Directors	8.4.2010	8.4.2010 – 7.4.2020	0.820	–	18,000,000	–	18,000,000
	27.4.2010	27.4.2010 – 26.4.2020	0.808	–	6,000,000	–	6,000,000
	11.5.2010	11.5.2010 –10.5.2020	0.820	–	5,000,000	–	5,000,000
Employees	8.4.2010	8.4.2010 – 7.4.2020	0.820	–	58,500,000	–	58,500,000
	11.5.2010	11.5.2010 – 10.5.2020	0.820	–	5,200,000	–	5,200,000
	17.6.2010	17.6.2010 – 16.6.2020	0.820	–	1,400,000	–	1,400,000
Consultants	8.4.2010	8.4.2010 – 7.4.2020	0.820	–	208,600,000	–	208,600,000
	11.5.2010	11.5.2010 – 10.5.2020	0.820	–	2,000,000	–	2,000,000
	17.6.2010	17.6.2010 – 16.6.2020	0.820	–	1,000,000	–	1,000,000
				–	305,700,000	–	305,700,000
Exercisable at the end of the year							305,700,000

* Mr. Zhou Si, Mr. Ang Keng Lam, Mr. Yu Li, Mr. Xu Taiyan, Mr. Jiang Xinhao, Ms. Meng Fang and Mr. Yu Luning were granted 5,000,000, 5,000,000, 4,250,000, 5,000,000, 3,300,000, 5,000,000 and 5,000,000 share options, respectively, when they acted as consultants for the Company in 2010. Mr. Lei Zhangang, who was granted 7,000,000 share options, has been re-designated to Company's consultant upon his resignation as an Executive Director and Chairman of the Company on 1 January 2011.

** There is no vesting period for the share options.

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

At the end of the reporting period, the Company had 503,400,000 (2010: 305,700,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 503,400,000 (2010: 305,700,000) additional ordinary shares of the Company and additional share capital of HK$50,340,000 (2010: HK$30,570,000) and share premium of HK$ 291,376,000 (2010: HK$ 220,032,000) (before issue expenses).

In 2010, share options were granted on 8 April 2010, 27 April 2010, 11 May 2010 and 17 June 2010. The costs of equity-settled transactions were measured by reference to the fair value at the date at which they are granted.

In 2011, share options were granted on 28 October 2011. The costs of equity-settled transactions were measured by reference to the fair value at the date at which they are granted.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

34. SHARE OPTION SCHEME (Continued)

The fair values of the options, all vested immediately on the date of grant, are determined at the dates of grant using binomial model and range from HK$0.1452 to HK$0.2440 (2010: from HK$0.1964 to HK$0.4414).

	8 April 2010	27 April 2010	11 May 2010	17 June 2010	28 October 2011
Grant date share price	0.82	0.800	0.73	0.66	0.465
Exercise price	0.82	0.808	0.82	0.82	0.465
Option life	10 years	10 years	10 years	10 years	10 years
Expected volatility	48.156%	47.838%	47.852%	47.890%	48.360%
Dividend yield	0%	0%	0%	0%	0%
Risk-free interest rate	2.824%	2.919%	2.735%	2.435%	2.270%

The fair values of the options have been arrived at on the basis of a valuation carried out on the grant date by Greater China Appraisal Limited, independent qualified professional valuers using binomial model. The variables and assumptions used in computing the fair value of the share options are based on the Board's best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

For the year ended 31 December 2011, the Group recognised the total expense of HK$35,462,000 (2010: HK$86,533,000) in relation to share options granted by the Company.

As the Company has changed its principal business to property development in 2010, the expected volatility was determined by using the average annualised standard deviations of the continuously compounded rates of return of share prices of comparable companies with principal business in property development as of the valuation dates quoted by Bloomberg.

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 38 of the financial statements.

The Group's contributed surplus represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the reorganization in 1997, over the nominal value of the Company's shares issued in exchange therefor.

Statutory reserves are reserves set aside in accordance with the relevant PRC regulations applicable to the Group's subsidiaries in Mainland China. These reserve funds can be used to offset accumulated losses but are not be distributable in the form cash dividends.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

35. RESERVES (Continued)

(b) Company

	Notes	Issued capital HK$'000 (note 33)	Share premium account HK$'000 (note 33)	Convertible bonds– equity component HK$'000 (note 34)	Share option reserve HK$'000	Contributed surplus HK$'000	Warrant reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 January 2010		323,920	463,436	–	–	75,130	2,000	–	(304,721)	559,765
Loss for the year (restated)		–	–	–	–	–	–	–	(103,769)	(103,769)
Other comprehensive income for the year: Exchange differences on translation of foreign operations		–	–	–	–	–	–	14,487	–	14,487
Total comprehensive income/ (loss) for the year		–	–	–	–	–	–	14,487	(103,769)	(89,282)
Acquisition of assets and liabilities through acquisition of subsidiaries	33, 36	8,336	1,082	–	–	–	–	–	–	9,418
Issue of shares upon exercise of unlisted warrants	33	20,000	82,000	–	–	–	(2,000)	–	–	100,000
Issue of shares upon exercise of convertible bonds (as restated)	32	1,400	7,552	(1,204)	–	–	–	–	–	7,748
Recognition of equity component of convertible bonds (as restated)	32	–	–	234,956	–	–	–	–	–	234,956
Recognition of equity-settled share base payments	34	–	–	–	86,533	–	–	–	–	86,533
At 31 December 2010 as restated		353,656	554,070	233,752	86,533	75,130	–	14,487	(408,490)	909,138
At 1 January 2011										
As previously reported		353,656	554,070	642,763	86,533	75,130	–	14,487	(409,502)	1,317,137
Prior year adjustments		–	–	(409,011)	–	–	–	–	1,012	(407,999)
As restated		353,656	554,070	233,752	86,533	75,130	–	14,487	(408,490)	909,138
Loss for the year		–	–	–	–	–	–	–	(123,679)	(123,679)
Other comprehensive income for the year: Exchange differences on translation of foreign operations		–	–	–	–	–	–	53,497	–	53,497
Total comprehensive income/ (loss) for the year		–	–	–	–	–	–	53,497	(123,679)	(70,182)
Acquisition of subsidiaries	33, 36	12,443	41,062	–	–	–	–	–	–	53,505
Issue of shares upon exercise of convertible bonds	32	17,680	96,354	(15,199)	–	–	–	–	–	98,835
Equity-settled share option arrangements	34	–	–	–	35,462	–	–	–	–	35,462
Reversal of share option reserve due to staffs' resignation	34	–	–	–	(585)	–	–	–	585	–
Transfer of equity component of convertible bonds upon early redemption	32	–	–	(1,564)	–	–	–	–	1,564	–
At 31 December 2011		**383,779**	**691,486**	**216,989**	**121,410**	**75,130**	**–**	**67,984**	**(530,020)**	**1,026,758**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganization in 1997, over the nominal value of the Company's shares issued in exchange therefor.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

36. BUSINESS COMBINATION/ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

(a) Business combination

For the year ended 31 December 2011

On 21 November 2011, the Group acquired a 100% interest in Zhi Jian Limited from a subsidiary of a substantial shareholder of the Company at a consideration of HK$132,506,000, based on a valuation performed by the directors of the Company. Zhi Jian Limited, its subsidiary and associates (collectively "Zhi Jian Group") are engaged in the operation of warehouse inside the Chaoyang Island Port. The acquisition was made as a part of the Group's strategy to expand its business in the logistics market. The purchase consideration for the acquisition was settled in the form of cash paid of HK$79,001,380 and the issuance of 124,430,000 shares of the Company at the completion date.

The fair values of the identifiable assets and liabilities of Zhi Jian Group as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000
Property, plant and equipment	13	14,509
Investment properties	14	162,945
Prepaid land lease payments	15	251,991
Trade receivables		506
Prepayments, deposits and other receivables		64
Investment in an associate		54,726
Cash and bank		17,707
Trade payables		(464)
Other payables and accruals		(68,461)
Tax payable		(277)
Interest-bearing bank and other borrowings (current)		(123,861)
Interest-bearing bank and other borrowings (non-current)		(76,721)
Deferred tax liabilities	19	(65,594)
Non-controlling interests		(29,676)
Total identifiable net assets at fair value		137,394
Gain on bargain purchase recognised in other income and gains in the consolidated income statement	5	(4,888)
		132,506
Satisfied by:		
Cash		79,001
Issue of ordinary shares	33(d)	53,505
		132,506

NOTES TO FINANCIAL STATEMENTS

31 December 2011

36. BUSINESS COMBINATION/ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

(a) Business combination (Continued)

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to HK$506,000 and HK$9,000, respectively. The gross contractual amounts of trade receivables and other receivables were HK$506,000 and HK$9,000, respectively, of which none of the trade and other receivables is expected to be uncollectible.

The Group incurred transaction costs of HK$1,115,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	HK$'000
Cash consideration	(79,001)
Cash and bank balances acquired	17,707
Net outflow of cash and cash equivalents included in cash flows from investing activities	(61,294)
	(61,294)

Since the acquisition, Zhi Jian Limited contributed HK$761,000 to the Group's turnover and HK$268,000 to the consolidated profit for the year ended 31 December 2011.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been HK$1,642,266,000 and HK$671,523,000, respectively.

(b) Acquisition of assets and liabilities through acquisition of subsidiaries

For the year ended 31 December 2010

The Company acquired assets and liabilities of properties under development project for sale in Mainland China from its substantial shareholder, Beijing Holdings Limited ("BHL"). The consideration was satisfied by cash of RMB31,500,000 (equivalent to approximately HK$35,790,000) and issuance of 83,362,500 ordinary shares of the Company to BHL.

As BHL is a connected person under the Listing Rules, this transaction constituted a connected transaction under the Listing Rules and has been approved by the independent shareholders on 12 March 2010.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

36. BUSINESS COMBINATION/ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of assets and liabilities through acquisition of subsidiaries (Continued)

The fair value of the assets acquired amounting to approximately HK$45,208,000 was determined by the Board by reference mainly to the valuation report of property interests issued by Asset Appraisal, an independent firm of qualified professional valuers.

The acquisition is accounted for as acquisition of assets and liabilities through acquisition of the subsidiary which involves issue of shares of the Company. Accordingly, the difference between the fair value of net assets and the cash consideration is accounted for as the fair value of the shares issued.

The fair value of the net assets acquired as at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	338
Properties under development for sale	342,900
Other receivables	20
Cash and bank	3,304
Trade and other payables	(34,340)
Deposits received in advance from property sales	(25,786)
Amount due to a related party	(211,072)
Net asset acquired	75,364
Less: Non-controlling interests	(30,156)
	45,208

NOTES TO FINANCIAL STATEMENTS

31 December 2011

37. DISPOSAL OF SUBSIDIARIES

	Notes	2011 HK$'000	2010 HK$'000
Net assets disposed of:			
Property, plant and equipment	13	7,228	–
Investment properties	14	500	–
Loan receivable		61,032	–
Inventories		4,222	–
Deposits, prepayments and other debtors		20,737	–
Cash and bank		4,279	–
Trade receivables		6,322	–
Trade payables		(11,694)	–
Accruals and other payables		(26,464)	–
		66,162	–
Reversal of accumulated exchange reserves		(21,251)	–
Professional costs for the disposal of investment in subsidiaries		116	–
Loss on disposal of subsidiaries	6	(27)	–
		45,000	–
Satisfied by:			
Cash		45,000	–

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

	2011 HK$'000	2010 HK$'000
Cash consideration	45,000	–
Cash and bank balances disposed of	(4,279)	–
Professional costs for the disposal of investment in subsidiaries	(116)	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	40,605	–

NOTES TO FINANCIAL STATEMENTS

31 December 2011

38. CONTINGENT LIABILITIES

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

		Group	
	Note	**2011** **HK$'000**	2010 HK$'000
Guarantees given to banks in respect of mortgage facilities for certain purchasers of the Group's properties	(i)	**40,891**	–

(i) The Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principal together with the accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal titles and possession of the related properties. The Group's guarantee period starts from the date of grant of the relevant mortgage loans and ends upon issuance of real estate ownership certificates which will generally be available within a certain period after the purchasers take possession of the relevant properties.

The fair value of the guarantees is not significant and the directors of the Group consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principal together with the accrued interest and penalty and therefore no provision has been made in these financial statements for the guarantees.

(b) On 31 December 2011, the Group had certain contingent liabilities arising from the reorganisation of Lugang, a subsidiary of the Group. One of the non-controlling shareholder of Lugang, 北京十八里店農工商經營服務中心 (the "BAIC Service Centre") injected certain assets and liabilities owned by the subsidiary of the BAIC Service Centre into Lugang before 2001 while certain bank loans (the "Loans") with outstanding principal amount of approximately RMB47,700,000 were not taken up by Lugang. The Loans were guaranteed by the BAIC Service Centre. As there are defects in the transfer procedures, the bank may require the Lugang to assume the repayment obligations of the Loans in case the BAIC Service Centre and its subsidiary are unable to settle the Loans, related interests and penalties. Up to the date of this report, no legal proceeding has been brought against the BAIC Service Centre, its subsidiary and Lugang. The directors of the Company considered that there are uncertainties in respect of the legal obligations of Lugang, as well as the amount and timing of the potential cash outflow, therefore the fair value of such contingent liabilities cannot be reliably measured.

At 31 December 2011, the Company did not have any significant contingent liabilities (2010: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2011

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 3 months to 10 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**352**	–
In the second to fifth years, inclusive	**288**	–
After five years	**179**	–
	819	–

(b) As lessee

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

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

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**414**	1,390
In the second to fifth years, inclusive	**1,551**	–
	1,965	1,390

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2011	2010
	HK$'000	HK$'000
Contracted, but not provided for, capital contributions payable to jointly-controlled entity	**1,282,842**	–

The Company had no capital commitments at the end of the reporting period (2010: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2011

41. RELATED PARTY TRANSACTIONS

(a) Other transactions with related parties:

(i) On 7 July 2011, Beijing Inland Port International Logistics Co., Ltd. (the "Beijing Lugang"), New Concord Properties Limited (the "New Concord"), Kerry Logistics (China) Investment Limited (the "Kerry Logistics") and Hutchison Ports Beijing Limited (the "Hutchison Port") (the "JV Parties") and BHL Investment Consulting Co., Ltd (the "Lender") (a wholly owned subsidiary of the Company) entered into a financing agreement whereby the Lender agreed to make advance on behalf of the JV Parties up to a maximum of RMB100,000,000 before the establishment of the Beijing Bei Jian Tong Cheng International Logistics Limited (the "JV Company") The JV Company will be owned as to 32%, 20%, 24% and 24% by New Concord, Beijing Lugang, Kerry Logistics and Hutchison Port respectively. In this circumstance, Beijing Lugang and Kerry Logistics are connected persons of the Company and the entering into the financing agreement constitutes a connected transaction for the Company under the Listing Rules. As all of the applicable percentage ratios (other than the profits ratio) in respect of the maximum amount of advance under the financing agreement are less than 5%, the entering into of the financing agreement is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirements. Details of this transaction can be found on the websites of the Company and the Stock Exchange.

On 14 September 2011, the JV Parties and the Lender entered into the second financing agreement whereby the Lender agreed to make second advance on behalf of the JV Parties up to a maximum amount of RMB140,000,000 before the establishment of the JV Company. In this circumstance, Beijing Lugang and Kerry Logistics are connected persons of the Company pursuant to the Listing Rules. In aggregation with the first financing agreement and joint venture agreement (as mentioned in (ii) below), certain of the applicable percentage ratios (other than the profits ratio) in respect of the maximum amount of second advance under the second financing agreement exceed 25% but less than 100%, the entering into of the second financing agreement constitutes a major and connected transaction for the Company under the Listing Rules. As such, the second financing agreement is subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules. This transaction had been approved by independent shareholders of the Company at the special general meeting held on 11 October 2011. Details of this transaction can be found on the websites of the Company and the Stock Exchange.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

41. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

(i) (Continued)

As at 31 December 2011, the total drawdown from the first and second financing agreement was approximately RMB161,280,000, the accumulated interest charged to the JV Parties was approximately RMB2,878,000. According to the equity interests of JV Company will be owned by the JV Parties, New Concord, Beijing Lugang, Kerry Logistics and Hutchison Port should bear the principal of approximately RMB51,609,600, approximately RMB32,256,000, approximately RMB38,707,200 and approximately RMB38,707,200 and the interest of approximately RMB920,960, approximately RMB575,600, approximately RMB690,720 and approximately RMB690,720, respectively. New Concord and Beijing Lugang is a subsidiary of the Company, the total amount due from them is the intra-group transactions. Details of total amount due from Kerry Logistics and Hutchison Port are set out in note 27 to the financial statements.

(ii) On 13 July 2011, New Concord entered into a joint venture agreement and a joint venture preparation agreement with Beijing Lugang, Kerry Logistics and Hutchison Port, whereby the JV Company will be formed in Beijing to engage in logistics properties and related businesses in the PRC. The JV Company will be owned as to 32%, 20%, 24% and 24% by New Concord, Beijing Lugang, Kerry Logistics and Hutchison Port respectively. The maximum total investment of the JV Company is RMB2,000,000,000 which comprises registered capital of RMB1,000,000,000. The share of the registered capital that New Concord is committed to contribute amounts to RMB320,000,000 based on its equity interests in the JV Company. The JV Parties will pay up the registered capital of the JV Company in accordance with the terms of the joint venture agreement. In this circumstance, Beijing Lugang and Kerry Logistics are connected persons of the Company pursuant to the Listing Rules. Besides, the JV Company, after it is formed, will be a company falling under Rule 14A.13 (2) (a) (ii) of the Listing Rules. Accordingly, the entering into of the joint venture agreement and the joint venture preparation agreement constitute connected transaction for the Company under the Listing Rules. As the applicable percentage ratios in respect of the total of Group's share of the maximum investment amount in the JV Company exceed 25% but less than 100%, the entering into of the joint venture agreement and the joint venture preparation agreement constitutes major and connected transaction for the Company under the Listing Rules. As such, the joint venture formation is subject to the reporting, announcement, circular and approval of the independent shareholders under the Listing Rules. This transaction had been approved by independent shareholders of the Company at the special general meeting held on 18 August 2011. Details of this transaction can be found on the websites of the Company and the Stock Exchange. Details of which are set out in note 40 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

41. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

(iii) On 25 July 2011, the Company and BHL (the "Vendor") entered into an acquisition agreement pursuant to which the Company has conditionally agreed to purchase the entire issued capital of Zhi Jian Limited (the "Target Company) for a total consideration of HK$157,890,000, which is payable as to HK$78,888,620 by issue and allotment of 124,430,000 shares of the Company at the issue price of approximately HK$0.634 per share to the Vendor (or its designated nominee) and as to HK$79,001,380 (or equivalent amount in RMB) by cash payment to the Vendor (or its designated nominee) upon completion. In this circumstance, the Vendor is a connected person of the Company and the entering into the acquisition agreement constitutes a connected transaction for the Company under Listing Rules. As the applicable percentage ratios in respect of the acquisition (on the basis of aggregation with the financing arrangement and the JV Company formation which were announced by the Company on 7 July 2011 and 13 July 2011 respectively) exceed 25% but are below 100%, the acquisition constitutes a major and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules. As such, the acquisition contemplated thereunder is subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules. This transaction had been approved by independent shareholders of the Company at the special general meeting held on 9 November 2011. Details of this transaction can be found on the websites of the Company and the Stock Exchange.

On 21 November 2011, all the conditions precedent under the acquisition agreement dated 25 July 2011 had been fulfilled and the completion has been taken place. The 124,430,000 consideration shares have been allotted and issued to Brilliant Bright Holdings Limited (being the nominee of the Vendor). According to the closing share price of the Company of HK$0.43 on 21 November 2011, the fair value of consideration should be HK$132,506,000 which included the cash and shares consideration. Details of which are set out in note 36 to the financial statements.

(iv) On 8 December 2011, the Company entered into a disposal agreement with Goldfold Wintop Investment Limited (the "Purchaser"), pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of Zenna Investments Limited (the "Zenna") at a cash consideration of RMB251,710,000. Beijing Tongcheng Property Co., Ltd. is 60%-owned subsidiary of A&N Company which is wholly owned by Zenna. In this circumstance, two of the substantial shareholders of Beijing Tongcheng Property Co., Ltd. are associates of the connected persons of the Company, the disposal constitutes a connected transaction of the Company under Rule 14A.13(1)(b)(i) of the Listing Rules. As such, the disposal agreement and the transactions contemplated thereunder are subject to the reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules. This transaction had been approved by independent shareholders of the Company at the special general meeting held on 28 February 2012. Details of this transaction can be found on the websites of the Company and the Stock Exchange. The disposal transaction has been completed on 16 March 2012, details of which are set out in note 44(a) to the financial statements.

(v) On 9 July 2010, the Company acquired assets and liabilities of properties under development project for sale in PRC from BHL. Details of which is set out in note 36 to the financial statements.

(vi) On 3 December 2010 and 31 December 2010, the Company issued convertible bonds amount to HK$499,850,000 to independent third parties and HK$1,500,000,000 to Beijing Enterprises Group (BVI) Company Limited, respectively. Details of which are set out in note 32 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2011

41. RELATED PARTY TRANSACTIONS (Continued)

(b) Commitments with related parties:

Details of the commitment with related parties are set out in note 40 to the financial statements.

(c) Outstanding balances with related parties:

Details of the Group's amounts due from and due to related parties as at end of the reporting period are included in note 27 to the financial statements.

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

Details of directors' emoluments are included in note 8 to the financial statements.

42. 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:

Financial assets

	Group		Company	
	2011 Loans and receivables HK$'000	2010 Loans and receivables HK$'000	**2011 Loans and receivables HK$'000**	2010 Loans and receivables HK$'000
Amounts due from related parties	**256,959**	11,207	**–**	–
Due from subsidiaries	**–**	–	**601,639**	199,483
Trade receivables	**16,050**	27,374	**–**	–
Financial assets included in prepayments, deposits and other receivables	**10,909**	12,599	**10,000**	–
Cash and bank	**2,873,409**	3,303,855	**1,907,118**	2,406,093
Loan receivable	**–**	56,036	**–**	–
	3,157,327	3,411,071	**2,518,757**	2,605,576

NOTES TO FINANCIAL STATEMENTS

31 December 2011

42. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Group		Company	
	2011 Financial liabilities at amortised costs HK$'000	2010 Financial liabilities at amortised costs HK$'000	**2011 Financial liabilities at amortised costs HK$'000**	2010 Financial liabilities at amortised costs HK$'000
Trade payables	**121,426**	36,370	**–**	–
Due to subsidiaries	**–**	–	**11,707**	3,669
Financial liabilities included in other payables and accruals	**24,163**	31,936	**961**	–
Convertible bonds	**1,682,602**	1,747,876	**1,682,602**	1,747,876
Interest-bearing bank and other borrowings	**204,449**	–	**–**	–
Amounts due to related parties	**152,681**	610	**–**	–
	2,185,321	1,816,792	**1,695,270**	1,751,545

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, convertible bonds, cash and bank balances and time 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 trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2011

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings with floating interest rates.

At 31 December 2011, approximately HK$2,477,000 (2010: Nil) of the Group's interest-bearing borrowings bore interest at floating rates. The Group believes that the exposure to the risk of changes in market interest rates is minimal.

The following table demonstrates the sensitivity at the end of the reporting period 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).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$'000
Year ended 31 December 2011	100	25
Year ended 31 December 2011	(100)	(25)
Year ended 31 December 2010	100	–
Year ended 31 December 2010	(100)	–

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of its significant investment operations in Mainland China, the Group's statement of financial position can be affected significantly by movements in the RMB/HK$ exchange rate.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in RMB/HK$ exchange rate, with all other variables held constant, of the Group's profit before tax.

	Increase/(decrease) in profit before tax	
	2011 **HK$'000**	2010 HK$'000
If Hong Kong dollar weakens against RMB by 5%	**59,552**	(9,271)
If Hong Kong dollar strengthens against RMB by 5%	**(59,552)**	9,271

NOTES TO FINANCIAL STATEMENTS

31 December 2011

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The Group has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The credit risk of the Group's other financial assets, which comprise amounts due from related parties, financial assets included in prepayments, deposits and other receivables and cash and bank, 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. Over 90% of the Group's customers and operations are located in Mainland China. Concentrations of credit risk are managed by industry sector and by customer.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 25 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and convertible bonds. In addition, banking facilities have been put in place for contingency purposes.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of short term loans to cover expected cash demands, subject to approval by management of the Group. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenant, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

At 31 December 2011

	Group				
	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 3 years HK$'000	Total HK$'000
Bank loans	92,744	8,891	–	83,209	184,844
Other loans	–	25,526	268	14,374	40,168
Convertible bonds	1,682,602	–	–	–	1,682,602
Trade payables	–	121,426	–	–	121,426
Other payables and accruals	14,912	9,251	–	–	24,163
Amounts due to related parties	142,175	10,506	–	–	152,681
	1,932,433	175,600	268	97,583	2,205,884

NOTES TO FINANCIAL STATEMENTS

31 December 2011

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Company		
	On demand	**Within 1 year**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Convertible bonds	**1,682,602**	**–**	**1,682,602**
Other payables and accruals	**–**	**9,251**	**9,251**
Due to subsidiaries	**–**	**11,707**	**11,707**
	1,682,602	**20,958**	**1,703,560**

At 31 December 2010

	Group			
	On demand	Within 1 year	More than 1 year but less than 2 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Convertible bonds	1,747,876	–	–	1,747,876
Trade payables	–	36,370	–	36,370
Other payables and accruals	–	28,808	3,128	31,936
Amounts due to related parties	610	–	–	610
	1,748,486	65,178	3,128	1,816,792

	Company		
	On demand	Within 1 year	Total
	HK$'000	HK$'000	HK$'000
Convertible bonds	1,747,876	–	1,747,876
Other payables and accruals	–	1,684	1,684
Due to subsidiaries	–	3,669	3,669
	1,747,876	5,353	1,753,229

NOTES TO FINANCIAL STATEMENTS

31 December 2011

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

Depending on the market conditions and funding arrangements, if at any time repurchase of the Company's shares will lead to an enhancement of the net asset value per share and/or earnings per share of the Group, the directors will authorise such transactions.

The Group monitors capital using a gearing ratio, which is net debt divided by the sum of net debt and adjusted capital. The gearing ratio as at the end of the reporting period was as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Interest-bearing bank borrowings	**204,449**	–
Trade payables	**121,426**	36,370
Other payables and accruals (note 30)	**87,272**	31,936
Due to related companies	**152,681**	610
Net debt	**565,828**	68,916
Convertible bonds, liability component	**1,682,602**	1,747,876
Equity attributable to owners of parent	**1,233,678**	882,868
Adjusted capital	**2,916,280**	2,630,744
Net debt and adjusted capital	**3,482,108**	2,699,660
Gearing ratio	**16%**	3%

NOTES TO FINANCIAL STATEMENTS

31 December 2011

44. EVENTS AFTER THE REPORTING PERIOD

(a) Disposal of entire issued share capital of Zenna Investments Limited

On 8 December 2011, the Company entered into a disposal agreement with Goldfold Wintop Investment Limited (the "Purchaser"), pursuant to which the Company conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of Zenna Investments Limited for a total consideration of RMB251,710,000 (the "Disposal Transaction"). On 28 February 2012, the Disposal Transaction has duly been approved at the special general meeting and has been completed on 16 March 2012.

(b) Acquisition of land use rights in Shenyang

On 19 January 2012, Rich Day Investment Development Limited (the "Rich Day"), a wholly owned subsidiary of the Company, made a successful bid for a land use right through open tender auction organized and held by the Shenyang City Land Reserve Transaction Centre (the "SLTC") and entered into the bid confirmation with the Shenbei Branch of the Shenyang Plan and Land Resources Bureau (the "SPLRB"), pursuant to which the parties to the bid confirmation confirmed (among others) (i) that Rich Day has been awarded the right to acquire the land use right in respect of the Site; and (ii) the consideration of bidding the land use right. The site is located at Jinbu Village (進步村) of the Daoyi Development Zone (道義開發區) of the Shenyang Shenbei New District (瀋陽瀋北新區), which is at east to Lingyuan Bei Street (陵園北街), at south to Putian Road (蒲田路) and at west and at north to Planning Road (規劃路). The area of the land is approximately 135,563 square metres and its total gross floor area is approximately 271,126 square metres based on the plot ratio of two. The average land cost is approximately RMB1,930 per square metres. The land is allowed for residential and commercial development, with land use right of seventy (70) years and forty (40) years respectively. The total consideration for the acquisition of land use rights is RMB261,636,590.

45. COMPARATIVE AMOUNTS

As further explained in note 32 above, prior year adjustments on the valuation of the convertible bonds have been made, certain comparative amounts have been restated to rectify the valuation differences.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2012.

PARTICULARS OF PROPERTIES

31 December 2011

INVESTMENT PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
No. A1 Dongsihuan Nanlu, Chaoyang District, Beijing, PRC	Warehouse	Short term to medium term lease	82.24%

PROPERTIES FOR SALE

Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Stage of completion	Expected completion date	Attributable interest of the Group
The Owner City, No. Jia 1 Dong Si Huan Nan Road, Shiba Li Dian Xiang, Chaoyang District, Beijing, PRC	Commercial	2,417.17	7,894.71	Completed	N/A	60%
Car Park of the Owner City, No. Jia 1 Dong Si Huan Nan Road, Shiba Li Dian Xiang, Chaoyang District, Beijing, PRC	Commercial	861.23	2,938.25	Completed	N/A	60%

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/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			
REVENUE	**1,633,929**	139,387	155,526	302,166	495,047
Cost of sales	**(1,007,868)**	(114,769)	(130,980)	(275,520)	(447,677)
Gross profit	**626,061**	24,618	24,546	26,646	47,370
Other income and gains	**67,321**	18,197	56,567	6,241	14,982
Selling and distribution costs	**(30,535)**	(32,027)	(35,088)	(45,960)	(89,184)
Administrative expenses	**(84,016)**	(92,257)	(65,424)	(76,800)	(130,011)
Other expenses	**(18,218)**	(71,131)	–	(11,029)	(11,944)
Finance costs	**(45,444)**	(1,520)	(3,717)	(10,077)	(20,148)
Share of loss of an associate	**(15)**	–	–	–	–
PROFIT/(LOSS) BEFORE TAX	**515,154**	(154,120)	(23,116)	(110,979)	(188,935)
Tax	**(250,398)**	(262)	648	2,157	(5,104)
PROFIT/(LOSS) FOR THE YEAR	**264,756**	(154,382)	(22,468)	(108,822)	(194,039)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)			
TOTAL ASSETS	**4,062,274**	4,134,256	641,314	375,925	538,686
TOTAL LIABILITIES	**(2,595,971)**	(3,199,754)	(62,373)	(309,225)	(382,733)
NON-CONTROLLING INTERESTS	**(232,628)**	(51,633)	–	–	–
	1,233,675	882,869	578,941	66,700	155,953