Grand Field Group Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 115)

ANNUAL REPORT 2011

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EXECUTIVE DIRECTORS

Mr. Ma Xuemian *(Chairman)*
Mr. Kwok Siu Bun
Ms. Chow Kwai Wa, Anne
Ms. Kwok Siu Wa, Alison

NON-EXECUTIVE DIRECTORS

Mr. Chen Mudong
Mr. Lim Francis

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Chaodong
Mr. David Chi-ping Chow
Ms. Chui Wai Hung

COMPANY SECRETARY

Mr. Cheung Yuk Chuen

AUDIT COMMITTEE

Mr. David Chi-ping Chow *(Chairman)*
Mr. Liu Chaodong
Ms. Chui Wai Hung

REMUNERATION COMMITTEE

Mr. Liu Chaodong *(Chairman)*
Mr. David Chi-ping Chow
Mr. Ma Xuemian
Ms. Chui Wai Hung

NOMINATION COMMITTEE

Ms. Chui Wai Hung *(Chairman)*
Mr. Ma Xuemian
Mr. Liu Chaodong

CORPORATE GOVERNANCE COMMITTEE

Mr. Ma Xuemian *(Chairman)*
Mr. Liu Chaodong
Ms. Chui Wai Hung

AUTHORIZED REPRESENTATIVES

Mr. Cheung Yuk Chuen
Mr. Ma Xuemian

REGISTERED OFFICE IN BERMUDA

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Hong Kong

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North Point,
Hong Kong

PROPERTY VALUER

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Wanchai, Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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6 Front Street,
Hamilton HM11,
Bermuda

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKER

The Bank of East Asia, Limited

WEBSITE

http://www.irasia.com/listco/hk/grandfield/

Chairman's Statement

To Shareholders:

I am pleased to present the annual results for the financial year ended 31 December 2011 of Grand Field Group Holdings Limited ("Grand Field" or the "Company", together with its subsidiaries, collectively referred to as the "Group").

BUSINESS REVIEW

In 2011, the PRC real estate market faced both global economic uncertainties as well as continuous austerity measures on real estate market by the central government. The People's Bank of China raised the interest rates successively on three occasions whereas the RMB benchmark deposit and loan interest rates were also raised on six occasions since the beginning of the year. The shortage of market funding brought uncertainties to the turnover of the enterprise operating funds in the industry. Stringent measures such as limitation in purchasing, loan financing and pricing, and increase in government-subsidized houses supply had resulted corresponding adjustments in market prices and struck the confidence of homebuyers tremendously. The turnover in real estate market saw a dampening growth towards the end of the year. However, market turnover has been recovering since the beginning of 2012.

2011 was a year of reformation for the Group. The lawsuit regarding the "misuse of capital fund amounting to HK$50,000,000" is subject to the judgment by the court upon its hearing. During the year, the Directors and the management of the Group co-operated closely with a renowned financial advisory company in planing and seeking for resumption of trading. They made appropriate arrangements and prepared project development proposal to comply with the requirements on resumption of trading stipulated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

INTERNAL GOVERNANCE

While exploring our development, the Board has also put more emphasis in internal control and the implementation of the rules and regulations of the Group. Under the sound corporate environment and perfect approval systems, the Group can achieve a growing and sustainable development at a faster speed.

Chairman's Statement

PROSPECT

On the ground of the continuous growth in economy and urbanization in China, the Group remains confident about the medium and long-term development of domestic real estate market in China. The Group believes that the austerity measures by the central government are merely temporary adjustments in the long-term market development perspective. However, the adjustments will lay a solid foundation in the future and enable the market to become more mature and stable.

The Group plans to sell its interests in Sunning Plaza and the proceeds are expected to be invested in projects with more development potential. The Group is actively seeking investments in small- and medium-sized real estate projects with potential in the second- and third-tier cities in Mainland China. It is anticipated that it will lay a good foundation for the Group's exploration of revenues in different segments and can generate steady cash flow. The Board expects that the current development of Riviera Garden and Telford Garden Phase 3 will be speeded up. With the co-operation with the financial advisory company, the Group looks forward to the acceptance of resumption proposal by the Stock Exchange and strives to achieve the success of resumption of trading in 2012.

Ma Xuemian
Chairman

Hong Kong, 19 April 2012

Management Discussion and Analysis

FINANCIAL RESULTS

For the year ended 31 December 2011, the Group's revenue increased by 38% to approximately HK$5,618,000 (2010: HK$4,058,000).

During the year, the Group reported a loss attributable to equity shareholders of the Company of approximately HK$12,984,000, which was lower than last year's net loss of approximately HK$25,146,000.

The loss of the Group for the year ended 31 December 2011 was mainly attributable to income tax expense and finance cost.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group's cash and bank deposits were approximately HK$1,415,000 (2010: HK$1,537,000) and the percentage of cash and cash equivalent denominated in Hong Kong Dollar ("HK$") and Renminbi ("RMB") was 39% and 61% respectively (2010: 27% and 73%).

The Group had total current assets of approximately HK$13,543,000 (2010: HK$17,203,000), and total current liabilities of approximately HK$29,637,000 (2010: HK$26,353,000). The Group recorded total assets of approximately HK$298,904,000 (2010: HK$289,959,000) and total bank loans and borrowings of approximately HK$7,134,000 (2010: HK$1,168,000). As at 31 December 2011, the Group's total interest-bearing borrowings amounted to approximately HK$7,134,000 (2010: HK$1,168,000), of which HK$7,134,000 was repayable within 1 year (2010: HK$1,168,000), nil was repayable from 1-2 years (2010: nil) and nil was repayable from 2-5 years (2010: nil).

As at 31 December 2011, the percentage of the Group's interest-bearing borrowings denominated in HK$ and RMB was 0% and 100% (2010: 0% and 100%) respectively and such borrowings carried interest rates ranged from 36% to 40% per annum (2010: 5.52% to 5.55% per annum).

The gearing ratio for 31 December 2011, which was defined to be net debt over shareholders' equity, was 11% (2010: 9%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's major operations are located in the PRC and the main operational currencies are HK$ and RMB. There was no material exchange rate appreciation of RMB against HK$ in 2011, and there is no adverse movement of such trend foreseen by the Group. Therefore, it is not necessary for the Group to make any foreign currency hedging arrangement to minimise the foreign exchange risk and exposure.

Management Discussion and Analysis

CAPITAL STRUCTURE

As at 31 December 2011, the Company's issued share capital is HK$50,336,200 and the number of its issued ordinary shares is 2,516,810,000 shares of HK$0.02 each in issue.

Details of the movements in share capital of the Company are set out in note 27(c) to the consolidated financial statements.

CHARGE ON GROUP ASSETS

As at 31 December 2011, the Group had pledged the shares of its wholly owned subsidiary, Grand Field Property Development (Shenzhen) Company Limited, to the lender, Truth Resource Investments Limited for the loan of RMB5,000,000 (equivalent to HK$5,907,000) (31 December 2010: HK$Nil).

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

The Company did not have any other material acquisitions, disposal and significant investment of subsidiaries and affiliated companies during the year ended 31 December 2011.

CONTINGENT LIABILITIES

The Group's contingent liabilities are disclosed in note 30 to the consolidated financial statements.

SEGMENT INFORMATION

The details of the segment information of the Group are set out in note 11 to the consolidated financial statements.

EMPLOYEES

As of the end of 2011, the Group employed 19 employees (2010: 28) and had 9 Directors (2010: 10). The total costs (staff salary & director emolument) for the year amounted to approximately HK$5,317,000 (2010: HK$5,699,000). The Group's emolument policies are formulated such that the emoluments are made by reference to the performance of individual employees and will be reviewed every year. Apart from basic salary and statutory provident fund scheme, employees will also be offered bonus based on the results of the Group and their individual performance.

Profile of Directors

Executive Directors

Mr. Ma Xuemian ("Mr. Ma"), aged 48, was elected as an executive Director and the chairman (the "Chairman") of the Company on 2 December 2008 and 19 October 2009 respectively. He is also a member of the Remuneration Committee, Nomination Committee and the chairman of Corporate Governance Committee. Mr. Ma has joined the Company since 1999 and has been responsible for the Company's property sales and management in China since then. Mr. Ma has more than 10 years of management experiences in property management and marketing. From 1988 to 1992, he worked as a supervisor of the construction team in The Guangzhou Construction Company Limited, a subsidiary of the 3rd Guangdong Water and Electricity Bureau. He joined Ka Fong Industrial Company, Limited in 1992, which later became a subsidiary of the Company. Since then, he has served management role in various capacities including applying for government approval for development plan and construction plan, on-site project management, construction completion inspection. From July 1995 to 1996, he served in various management capacities including property completion and delivery management. From 1997 to 2000, he was in charge for managing the title deed application and property management in various projects in China. Since 2001, he is the General Manager of the Company's operation in Dongguan, the PRC. Mr. Ma is also a director of Grand Field Group Holdings (BVI) Limited, Grand Field Group Investments (BVI) Limited, Metro China Investment Limited, China Max Group Limited, China Maxline Limited, Grand Field Group Limited, Grand Field New Energy Company Limited, Ka Fong Industrial Company, Limited, Kwan Cheung Holdings Limited and Shing Fat Hong Limited, all being subsidiaries of the Company. Mr. Ma is entitled to a director's emolument of HK$50,000 per month as at the date of this report.

Ms. Chow Kwai Wa, Anne ("Ms. Chow"), aged 46, Ms. Chow holds a bachelor's degree in Business Administration from Shepherd University, USA. She was the operations manager of Air Global Holdings Limited and the business director of AGE International Limited, the subsidiary of Air Global. Previously, Ms. Chow set up a branch office for Amkey Inc., USA in Singapore and served as the operations manager of the Singapore branch. Ms. Chow had also worked as the administrative cum sales director for a number of Chinese property projects and was the assistant to several senior executives of Star TV, a subsidiary of News Corporation. Ms. Chow has extensive experience in business management, sales strategic planning and overseas marketing. Ms. Chow joined the Company in November 2009 and was appointed as an executive Director in February 2010. Ms. Chow is also the director of Grand Field Property Development (Shenzhen) Company Limited (a subsidiary of the Company) and the general manager of the sales and administration department of the Company, responsible for the operation management of the Company. Ms. Chow is entitled to a director's emolument of HK$5,000 per month as at the date of this report.

Profile of Directors

Ms. Kwok Siu Wa, Alison ("Ms. Kwok"), aged 37, was appointed as an executive Director of the Company on 5 February 2010. Ms. Kwok holds a bachelor's degree in International Business Management from Oxford Brookes University and a master's degree in Professional Accounting from Hong Kong Polytechnic University. Ms. Kwok joined the Group in 2000 and is responsible for financial management of the Group. She has more than 10 years of experience in accounting and administrative management. Ms. Kwok was appointed as the Vice President (business development) of the Company with effect from 5 February 2010. She is also a director of Grand Field Group Holdings (BVI) Limited, Grand Field Group Investments (BVI) Limited, Metro China Investment Limited, China Max Group Limited, Grand Field Group Limited, Ka Fong Industrial Company, Limited, Shing Fat Hong Limited, Kwan Cheung Holdings Limited, Grand Field New Energy Company Limited, China Maxline Limited and Grand Field Property Development (Shenzhen) Company Limited, all of which are subsidiaries of the Company.

Ms. Kwok is the sister of a shareholder of Rhenfield Development Corp., a substantial shareholder of the Company. She is also the sister of Mr. Kwok Siu Bun, an executive Director. Ms. Kwok is entitled to a director's emolument of HK$5,000 per month as at the date of this report.

Mr. Kwok Siu Bun ("Mr. Kwok"), aged 36, was appointed as a non-executive Director on 5 February 2010 and re-designated as an executive Director of the Company on 15 August 2011. Mr. Kwok graduated from Leonard Stern School of Business of New York University with a double major in Finance and Information Systems. He had previously worked for Deutsche Bank (New York) where he was a Senior Systems Analyst of the Private Banking Department. In 2003, Mr. Kwok was the project manager of Visionsky Informance Science and Technology Limited, a subsidiary of Bank of China (Guangzhou). Mr. Kwok successfully implemented several data warehouse projects for the Credit Card Centre of Bank of China (Hong Kong). He had also worked in Crushpad Winery in San Francisco. Recently, he has established Tao of Wines, a wine company dedicated to introducing a wide range of wines to the Hong Kong food and beverages market. Mr. Kwok has more than 12 years of professional experience in various industries including banking, information technology and wine business. He was also appointed as a director of Grand Field Group limited (a subsidiary of the Company). Mr. Kwok's scope of work includes: developing business and proactively looking for investment projects and focusing on potential projects with stable efficiency and liaising with the project parties on investment cooperation at different aspects; managing investment and researching work, including setting up investment strategy and establishing investment procedures; establishing investment research team and organizing and writing investment strategy report; building good business relationship and financing channel with banks, non-banking financial institutions, securities institutions and investment funds.

Mr. Kwok is the sibling of a shareholder of Rhenfield Development Corp., a substantial shareholder of the Company. He is also the sibling of Ms. Kwok, an executive Director. Mr. Kwok is entitled to a director's emolument of HK$35,000 per month as at the date of this report.

Profile of Directors

Non-executive Directors

Mr. Lim Francis ("Mr. Lim"), aged 54, was appointed as an executive Director on 2 December 2008 and re-designated as a non-executive Director on 14 December 2009. Mr. Lim was also appointed as the alternate director of Mr. Ma Xuemian, Mr. Chen Mudong and Mr. David Chi-ping Chow on 9 December 2008 and ceased to be the alternate director of Mr. Ma Xuemian on 6 April 2011. Mr. Lim was formerly a director of Business Development for Hutchison Telecom, AT & T (Asia Pacific) and most recently Asia Global Crossing. He was instrumental in opening both India and China markets, whilst at AT & T by securing two cellular licenses in India and by forming the first State Council approved telecom service joint venture in China. Mr. Lim has over 15 years of experience in corporate advisory, business planning, alliance and joint venture formation and cross border mergers and acquisition. He also has extensive experience in conducting business in Greater China, Korea, ASEAN and India. Mr. Lim was awarded a Bachelor of Science Degree in Chemical Engineering from the University of Winconsin in 1980 and a Master of Science Degree in Finance from the Hong Kong University of Science and Technology in 2007.

Further, Mr. Lim was a director of Champford Corporation Limited when it was dissolved by deregistration on 23 November 2007 after it remained dormant for several years. Champford Corporation Limited was incorporated in Hong Kong and was principally engaged in trading business before turning dormant. Mr. Lim is entitled to a director's emolument of HK$25,000 per month as at the date of this report.

Mr. Chen Mudong ("Mr. Chen"), aged 50, was appointed as a non-executive Director on 2 December 2008 and re-designated as an executive Director and appointed as the chief executive officer of the Company (the "CEO") on 1 March 2010. He was then re-designated as a non-executive Director and resigned as the CEO on 15 April 2011. Mr. Chen served as the director of Development Centre of Shenzhen Zhu Jiang Real Estates Development Company Limited, and was also the deputy general manager of Shenhui Zhu Jiang Real Estate Development Company Limited in Huizhou city of Guangdong Province, the PRC. He served management positions in various companies and organizations including the Fourth Research Institute of Navigational Affairs under the Ministry of Transportation, China Delta Construction Engineering Company Limited, Huizhou Runyu Real Estate Company Limited, Guangzhou Southern Airline Bi Garden Real Estate Development Company Limited, and Guangzhou Zhu Jiang Investment Group Company Limited. He had attained extensive experience in real estate development and engineering management through managing various large scale development projects. Since 1992, Mr. Chen has devoted his career in real estate development, and has attained solid management experience in team management and leadership, as well as the development management for large scale real estate projects. From 2000 to 2003, Mr. Chen was the chief executive officer of Grand Field Property Development (Shenzhen) Company Limited, an indirect wholly owned subsidiary of the Company. He has completed his postgraduate study and is also a qualified engineer. Mr. Chen is entitled to a director's emolument of HK$15,000 per month as at the date of this report.

Profile of Directors

Independent Non-executive Directors

Mr. Liu Chaodong ("Mr. Liu"), aged 43, was appointed as an independent non-executive Director on 25 August 2009, and is also a member of the Audit Committee, Nomination Committee and Corporate Governance Committee and the chairman of the Remuneration Committee. Mr. Liu has practising qualifications of registered accountant, registered tax agent, forensic accounting practitioners and certified public valuer in the PRC. In 1990, Mr. Liu graduated from Anhui Jianghuai Vocational University, the PRC, majoring in financial accounting. In 2006, he graduated from Huazhong University of Science and Technology, the PRC, majoring in legal studies. Mr. Liu served as the chief accountant in Blue Star New Chemical Materials Co., Ltd. from 1991 to 1994 and a department manager in Zhonglei Certified Public Accountants Co., Ltd. from 1994 to 1997 Mr. Liu is currently the deputy general manager of Crowe Horwath China CPAs Co. Ltd., Guangdong Foshan Branch, the PRC. Mr. Liu is entitled to a director's emolument of HK$10,000 per month as at the date of this report.

Mr. David Chi-ping Chow ("Mr. Chow"), aged 55, was appointed as an independent non-executive Director of the Company on 22 December 2008, and is also a member of the Remuneration Committee and the chairman of the Audit Committee. Mr. Chow is currently the managing director of Tekhill Holdings Ltd. Mr. Chow had been the general manager of China Region of Interclients LLC and a partner of Shanghai China Bay. Mr. Chow is a United States Certified Public Accountant and an American Certified Tax Practitioner. He has 30 years of experience in financial planning, corporate internal control and audit, strategic planning and implementation. Mr. Chow was the chief financial officer for China of General Mills and Haagen-Dazs, the chief financial officer of Xian Janssen Pharmaceutical, a subsidiary of Johnson & Johnson group. He was the chief financial officer for Greater China of Pillsbury and Haagen-Dazs, the chief financial officer for China and Vice-President of Supply Chain of Nabisco. He was a partner of Speakman & Price, a public accounting firm and a financial analyst of Motorola. Mr. Chow graduated with a Bachelor Degree in Accounting from Santa Clara University, California. He also received management training from Columbia University and Northwestern University. Mr. Chow is entitled to a director's emolument of HK$15,000 per month as at the date of this report.

Ms. Chui Wai Hung ("Ms. Chui") aged 44, was appointed as an independent non-executive Director on 21 September 2010, and is also a member of the Audit Committee, Remuneration Committee, Corporate Governance Committee and the chairman of the Nomination Committee. Ms. Chui is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. She holds a bachelor's degree in business administration from the Chinese University of Hong Kong. From 1996 to 2002, Ms. Chui jointed Wing Lee Holding Limited (a company listed on the Stock Exchange) as group financial controller, and was then promoted to finance director and company secretary. She once worked as a financial controller in a telecommunications equipment company, a company listed on the Stock Exchange. Ms. Chui is the directors of several companies of a private group which is principally engaged in investment holding and providing financial advisory services. Ms. Chui has over 20 years of experience in accounting, auditing and financial management. Ms. Chui is entitled to a director's emolument of HK$10,000 per month as at the date of this report.

Corporate Governance Report

The Group has complied with most of the code provisions on Corporate Governance Practices as set out in Appendix 14 of the Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 December 2011.

This report describes its corporate governance practices and explains the applications of the principles on the CG Code of the Listing Rules except for the deviation from provision A.2.1 of the CG Code which are explained in the relevant paragraphs as below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms as set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standard in the Model Code for dealing in securities of the Company throughout the year ended 31 December 2011.

BOARD OF DIRECTORS

The Board now comprises a total of nine Directors, of whom four are executive Directors, two are non-executive Directors and three are independent non-executive Directors, and at least one of the independent non-executive Directors have appropriate professional qualifications to comply with Rules 3.10(1) and (2) of the Listing Rules. The Board believes that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. All independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board, led by the Chairman, is responsible for the approval and monitoring of the Group's overall strategies and policies; approval of business plans; evaluating the performance of the Group and oversight of management.

The Board is also responsible for promoting the success of the Company and its businesses by directing and supervising the Company's affairs. The Board is also required to approve acquisitions or disposals that require shareholder notification or approval under the Listing Rules. The Board has a fiduciary duty and statutory responsibility towards the Group and is directly accountable to the shareholders of the Company.

The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters for the Board's approval. Decisions of the Board are put through to the management by the executive Directors who have attended the Board meetings.

Save as disclosed in the section of "Profile of Directors", there is no financial, business, family or other material/relevant relationship between the Chairman and the CEO (upon the resignation of Mr. Chen Mudong as CEO on 15 April 2011) and among the members of the Board.

During the year ended 31 December 2011, 8 Board meetings were held. The attendance record of each Director at such meetings is set out below:

Directors	Attendance
Executive Directors:	
Mr. Ma Xuemian *(Chairman)*	8/8
Ms. Chow Kwai Wa, Anne	8/8
Ms. Kwok Siu Wa, Alison	8/8
Mr. Kwok Siu Bun (re-designated from non-executive Director to executive Director on 15 August 2011)	6/8
Mr. Wong King Lam, Joseph (resigned on 15 August 2011)	3/6
Non-executive Directors:	
Mr. Lim Francis	8/8
Mr. Chen Mudong (re-designated from executive Director to non-executive Director and resigned as CEO on 15 April 2011)	6/8
Independent non-executive Directors:	
Mr. David Chi-ping Chow	7/8
Mr. Liu Chaodong	8/8
Ms. Chui Wai Hung	7/8

Minutes of the meetings of Board/committee members would be maintained, and draft minutes would be circulated to the Board/committee members for comments before being approved by the Chairman of the meetings. Minutes of the Board meetings are kept by the company secretary of the Company and shall be open for inspection by Directors. Minutes of the Audit Committee and the Remuneration Committee are kept by the secretary of these two committees. Where Directors have a material or conflict of interests in any transaction the matter would not be dealt with by way of written resolutions and a Board meeting would be held. The Directors concerned could express views but would not be counted as part of the quorum and shall abstain from voting on the relevant resolutions.

CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2011, the role of the Chairman was performed by Mr. Ma Xuemian. The role of the CEO was performed by Mr. Chen Mudong until his resignation as the CEO on 15 April 2011. This segregation ensures a clear distinction between the Chairman's and the CEO's responsibilities which allows a balance of power between the Board and the management of the Group and ensures their independence and accountability.

According to the code provision A.2.1 of the CG Code, the roles of the Chairman and the CEO should be separate and should not be performed by the same individual.

Upon the resignation of Mr. Chen Mudong as the CEO on 15 April 2011, the office of the CEO was vacated. The Board will keep reviewing the current structure of the Board from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

NON-EXECUTIVE DIRECTORS AND INDEPENDENT NON-EXECUTIVE DIRECTORS

Under the code provision A.4.1 of the CG Code, the non-executive Directors should be appointed for a specific term.

Each of the non-executive Directors, namely Mr. Lim Francis and Mr. Chen Mudong; and independent non-executive Directors, namely Mr. David Chi-ping Chow, Mr. Liu Chaodong and Ms. Chui Wai Hung, has entered into an appointment letter with the Company for a term from 14 December 2011 to 31 March 2013.

REMUNERATION COMMITTEE

The Remuneration Committee, which currently comprises one executive Director, namely Mr. Ma Xuemian and three independent non-executive Directors, namely Mr. Liu Chaodong (chairman of the Remuneration Committee), Mr. David Chi-ping Chow and Ms. Chui Wai Hung, was established on 26 September 2005 with written terms of reference in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Remuneration Committee was revised on 28 March 2012 and is available on the Stock Exchange and the Company's websites.

REMUNERATION COMMITTEE *(Continued)*

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management on the establishment of a formal and transparent procedure for developing policy on such remuneration; reviewing the specific remuneration packages of all Directors and senior management by reference to corporate goals and objective resolved by the Board from time to time; ensuring no Director or any of his associates is involved in deciding his own remuneration and advising shareholders on how to vote with respect to any service contracts of Directors that requires shareholders' approval.

Four Remuneration Committee meetings were held in 2011 to review the remuneration of Directors and senior management for the financial year ended 31 December 2011 and to make recommendations on the remuneration package of the re-designated Director. The attendance records of the meetings are as follows:

Members	Attendance
REMUNERATION COMMITTEE	
Mr. Liu Chaodong *(Chairman)*	4/4
Mr. David Chi-ping Chow	2/4
Mr. Ma Xuemian	4/4
Ms. Chui Wai Hung	3/4

AUDIT COMMITTEE

The Audit Committee was established on 4 August 1999 with written terms of reference with the requirement stipulated in the CG Code. The full terms of reference of the Audit Committee was revised on 28 March 2012 and is available on the Stock Exchange and the Company's websites.

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. David Chi-ping Chow (chairman of the Audit Committee), Mr. Liu Chaodong and Ms. Chui Wai Hung. Its primary duties are to monitor integrity of the annual report and accounts and half-year report of the Company and to review significant reporting judgements contained in such reports; to review the Group's financial and accounting policies and practices; to review the Group's financial control, internal control and risk management system of the Group with particular regard to their effectiveness and to make recommendations to the Board where the monitoring activities of the Audit Committee reveal cause for concern or scope for improvement.

The Audit Committee held two meetings during the year ended 31 December 2011 to consider the consolidated financial statements for the year ended 31 December 2011 and the unaudited consolidated financial statements for the six months ended 30 June 2011 and to review the internal control of the Company. The attendance records of the meeting are as follows:

Members	Attendance
AUDIT COMMITTEE	
Mr. David Chi-ping Chow *(Chairman)*	2/2
Mr. Liu Chaodong	2/2
Ms. Chui Wai Hung	2/2

NOMINATION OF DIRECTORS

In accordance with the Bye-laws, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director. Apart from that, nomination of Directors is determined by the Board with approvals by the shareholders of the Company in general meeting. In addition, a resolution was passed by the then sole shareholder of the Company on 20 May 1999, which resolved to set the maximum number of Directors at 15.

Notwithstanding the above, in the High Court judgment ("Judgment") handed down on 12 Aug 2009, paragraph 39 states that Bye-law 113 of the Bye-laws empowers the Company in general meeting to increase the number of Directors beyond the 1999 maximum simply by voting on specified candidates as additional Directors. Paragraph 41 of the Judgment further states that in contrast the board's ability to vote on additional Directors is explicitly limited by any prevailing maximum which the Company in general meeting has expressly or impliedly determined.

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") was established on 28 March 2012 with written terms of reference in compliance with the requirement stipulated in the CG Code. The full terms of reference of the Nomination Committee is available on the Stock Exchange and the Company's websites.

The Nomination Committee currently comprises one executive Director, namely Mr. Ma Xuemian and two independent non-executive Directors, namely Ms. Chui Wai Hung (chairman of the Nomination Committee) and Mr. Liu Chaodong.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition of the Board (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; assessing the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

CORPORATE GOVERNANCE COMMITTEE

A corporate governance committee (the "Corporate Governance Committee") was established on 28 March 2012 with written terms of reference in compliance with the requirement stipulated in the CG Code.

The Corporate Governance Committee currently comprises one executive Director, namely Mr. Ma Xuemian (chairman of the Corporate Governance Committee) and two independent non-executive Directors, namely Ms. Chui Wai Hung and Mr. Liu Chaodong.

The principal responsibilities of the Corporate Governance Committee include developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management; reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and reviewing the Group's compliance with the CG Code and disclosure in the Corporate Governance Report of the Company.

INTERNAL CONTROLS

The Board believes that the system of internal controls maintained by the Company's management, which was in place throughout the financial year and up to the date of this report, provides reasonable, but not absolute, assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, the compliance with appropriate legislation and regulation and the identification of business risk. The Group has in place policies and guidelines which are zealously implemented by the management of the Group so as to ensure that the Group has the ability to:

(i) carry on its business in an orderly and efficient manner;

(ii) safeguard the Group's and the clients' assets;

(iii) maintain proper records and the reliability of financial and other information used within and published by the Group;

(iv) prevent and detect potential fraud; and

(v) comply with all applicable laws and regulatory requirements.

INTERNAL CONTROLS *(Continued)*

The Board acknowledges that it is responsible for the Company's system of internal control and for reviewing its effectiveness. The Board has reviewed the effectiveness of the Company's internal control system during the financial year. The Board considers that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes are adequate.

ACCOUNTABILITY AND AUDIT

Management shall provide such explanation and information to the Board as will enable the Board to make an informed assessment of the financial and other matters put before the Board for approval.

The Directors are responsible for overseeing all financial aspects of the Company and for keeping proper accounting records and preparing financial statements of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2011, the Directors have:

– approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants;

– selected and applied consistently appropriate accounting policies;

– made judgments and estimates that are prudent and reasonable; and

– prepared the accounts on a going concern basis. The Directors, having made appropriate enquiries, consider that it is appropriate to adopt the going concern basis in preparing the financial statements.

The Board is accountable to the shareholders for a clear and balanced assessment of the Company's financial position and prospects. In this regard, the Directors' responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2011.

EXTERNAL AUDITOR

The Auditor for the three years ended 2011, 2010 and 2009 was Baker Tilly Hong Kong Limited and the auditor's responsibility is to form an independent opinion based on their audit results on the Company's financial statement and to report their opinion to the Company, as a body, and for no other purposes. The Auditor does not assume responsibilities towards or accept liability to any other person for the contents of the report of auditor.

The Auditor's remuneration for the provision of annual audit services of approximately HK$400,000 was charged to the Group's income statement for the year ended 31 December 2011 (2010: HK$600,000), and the auditor's remuneration for the provision of non-audit services of approximately HK$260,000 was charged to the Group's income statement for the year ended 31 December 2011 (2010: HK$632,800).

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual and interim reports, notices, announcements and circulars, the Company's website at http://www.irasia.com/listco/hk/grandfield/ and meetings with investors and analysts.

On behalf of the Board

Ma Xuemian
Chairman

Hong Kong, 19 April 2012

Directors' Report

The Directors submit herewith their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries of the Company are set out in note 16 to the consolidated financial statements. There have been no significant changes in the nature of the Group's principal activities during the year.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 11 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Revenue made from the five largest customers of the Group was approximately 69% (2010: below 30%) of the Group's turnover, before deducting sales return of properties, for the year ended 31 December 2011.

Revenue made to the Group's largest customers accounted for approximately 31% (2010: not applicable) of the Group's total turnover for the year ended 31 December 2011.

At no time during the year under review, the Directors, their associates or any shareholders of the Company (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any interest in the five major customers.

During the year under review, no construction was performed and thus no major suppliers were identified.

FINANCIAL STATEMENTS

The loss of the Group for the year ended 31 December 2011 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 33 to 116.

TRANSFER TO RESERVES

The loss attributable to shareholders of HK$12,984,000 (2010: HK$25,146,000) has been transferred to reserves. Other movements in reserve are set out in note 27(a) to the consolidated financial statements.

DIVIDENDS

The Directors do not recommend the payment of final dividend in respect of the year ended 31 December 2011 (2010: nil). No interim dividend was declared for the six months ended 30 June 2011 (2010: nil).

INVESTMENT PROPERTIES

The Group revalued all of its investment properties at year end date. The revaluation resulted in a deficit of HK$6,513,000 (2010: a deficit of HK$9,498,000), which has been debited directly to the consolidated income statement respectively. The deferred tax arising from the revaluation amounted to HK$3,652,000 in 2011 (2010: HK$1,710,000). Details of the revaluation are set out in note 13 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of the movements in property, plant and equipment and investment properties of the Company and the Group during the year are set out in notes 12 and 13 to the consolidated financial statements respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 27(c) to the consolidated financial statements.

REMUNERATION POLICY FOR DIRECTORS AND SENIOR MANAGEMENT

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

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually.

The Company has adopted a share option scheme on 23 June 2006 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Board, at its discretion, to grant options to selected eligible participants to motivate them and to optimise their performance and efficiency for the benefit of the Group.

DIRECTORS

The Directors during the year ended 31 December 2011 and up to the date of this report were:

Executive Directors:

Mr. Ma Xuemian *(Chairman)*
Mr. Kwok Siu Bun (re-designated from non-executive Director to executive Director on 15 August 2011)
Ms. Chow Kwai Wa, Anne
Ms. Kwok Siu Wa, Alison
Mr. Wong King Lam, Joseph (resigned on 15 August 2011)

Non-executive Directors:

Mr. Chen Mudong
Mr. Lim Francis

Independent non-executive Directors:

Mr. David Chi-ping Chow
Mr. Liu Chaodong
Ms. Chui Wai Hung

Directors' Report

Pursuant to bye-laws of the Company 111(A) of the Bye-laws, Ms. Chow Kwai Wa, Anne, Mr. Lim Francis and Mr. David Chi-ping Chow will retire at the forthcoming annual general meeting (the "AGM"). The said Directors, being eligible for re-election, will offer themselves for re-election at the AGM.

The Board has received annual confirmations of independence from each of the three independent non-executive Directors, and as at the date of this report still considers them independent.

Biographical details of the Directors are set out on pages 7 to 10 of this report.

DIRECTORS' APPOINTMENT LETTERS

Each of the executive Directors, namely Mr. Ma Xuemian, Mr. Kwok Siu Bun, Ms. Chow Kwai Wa, Anne and Ms. Kwok Siu Wa, Alison, has entered into an appointment letter with the Company for a term from 1 April 2011 to 31 March 2013.

Each of the non-executive Directors, namely Mr. Chen Mudong and Mr. Lim Francis; and independent non-executive Directors, namely Mr. David Chi-ping Chow, Mr. Liu Chaodong and Ms. Chui Wai Hung, has entered into an appointment letter with the Company for a term from 14 December 2011 to 31 March 2013.

None of the Directors proposed for re-election at the AGM has an appointment letter with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

(i) Long positions in shares of the Company

As at 31 December 2011, none of the Directors and chief executive has any interests and long positions in the shares, underlying shares or debentures in the Company or any 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 under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in the Listing Rules.

(ii) Share options in the Company

On 23 June 2006, the Company adopted the share option scheme (the "Share Option Scheme"), pursuant to which the Board may, at its discretion, grant options to (i) any director, employee, consultant, customer, supplier, business introduction agent, or legal, financial or marketing adviser or contractor to any company in the Group or any affiliate; and (ii) any discretionary trust the discretionary objects of which include any of the foregoing parties in (i) above. The purpose of the Share Option Scheme is to enable the Board to grant options to eligible participants as (i) incentives and/or rewards in recognition or acknowledgement the contributions that eligible participants have made and will make to the Group; and (ii) motivation to high calibre employees for high levels of performance in order to enhance long-term shareholder value. The subscription price for the shares under the Share Option Scheme will be a price determined by the Board in its absolute discretion but shall be not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer of the grant, which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer of the grant; and (iii) the nominal value of a share of the Company.

Upon acceptance of the options, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The acceptance of an offer of the grant of the option must be made within 21 days from the date of grant. The exercise period of any option granted under the Share Option Scheme must not be more than ten years commencing on the date of grant.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of shares of the Company in issue as at the date of approval of the Share Option Scheme. The Board may seek approval by shareholders at general meeting to refresh the 10% limit. However, the total number of Shares available for issue under exercise of options which may be granted under the Share Option Scheme in these circumstances must not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshment of the 10% limit.

As at the date of this report, a total of 203,900,000 share options have been granted under the Share Option Scheme and the outstanding number of options available for issue under the Share Option Scheme is 765,000, representing approximately 0.03% of the issued share capital of the Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the nominal amount of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to each eligible participant shall not exceed 1% of the issued share capital of the Company for the time being in any 12-month period up to and including the date of offer of the grant.

The Share Option Scheme will remain in force for a period of 10 years commencing from the date of adoption of the Share Option Scheme from 23 June 2006.

During the year ended 31 December 2011, the movements in the share options to subscribe for the Company's shares were as follows:

	Date of grant	Exercisable period	Exercisable price per share HK$	Number of Share options: Outstanding at 1 January 2011	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2011
Category 1: Director								
Chu King Fai (he was not re-elected at the annual general meeting held on 21 June 2010)	21 August 2008	21 August 2008 – 18 August 2011	0.1724	25,000,000	–	–	(25,000,000)	–
Total for Director				25,000,000	–	–	(25,000,000)	–
Category 2: Employees	21 August 2008	21 August 2008 – 18 August 2011	0.1724	16,000,000	–	–	(16,000,000)	–
	21 October 2008	21 October 2008 – 15 October 2011	0.128	28,000,000	–	–	(28,000,000)	–
Total for employees				44,000,000	–	–	(44,000,000)	–
Category 3: Other participants	21 October 2008	21 October 2008 – 15 October 2011	0.128	25,000,000	–	–	(25,000,000)	–
Total for other participants				25,000,000	–	–	(25,000,000)	–
Total for all categories				94,000,000	–	–	(94,000,000)	–

No options were cancelled during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the heading "Directors' interests in shares and options" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company (including their spouses or children under 18 years of age) to have any rights to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 31 to the consolidated financial statements, no Director had a significant beneficial interest, either directly or indirectly, in any contracts of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2011, other than the interests disclosed above in respect of certain Directors, so far as is known to the Directors, the following parties (other than the Directors and chief executives of the Company) had interests of 5% or more in the issued share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Capacity /nature of interests	Number of ordinary share(s) held	Total interests as percentage of the issued share capital
Hongkong Zhongxing Group Co., Limited (Note 1)	Beneficial Owner	561,750,000	22.32%
Huang Bing Huang (Note 1)	Interest of Controlled Corporation	561,750,000	22.32%
Kwok Wai Man, Nancy	Beneficial Owner	14,170,000	0.56%
	Interest of Controlled Corporation (Note 2)	479,050,000	19.03%
	Interests of Spouse (Note 3)	64,210,000	2.55%

Name of Shareholder	Capacity /nature of interests	Number of ordinary share(s) held	Total interests as percentage of the issued share capital
Rhenfield Development Corp. (Note 2)	Beneficial Owner	479,050,000	19.03%
Tsang Wai Lun, Wayland	Beneficial Owner	64,210,000	2.55%
	Interest of Controlled Corporation (Note 2)	479,050,000	19.03%
	Interests of Spouse (Note 4)	14,170,000	0.56%

Note 1: Hongkong Zhongxing Group Co., Limited is owned by Mr. Huang Bing Huang. Mr. Huang Bing Huang is deemed to be interested in 561,750,000 shares pursuant to the Part XV of the SFO.

Note 2: Rhenfield Development Corp. is owned by Ms. Kwok and Mr. Tsang in equal shares. Ms. Kwok and Mr. Tsang are deemed to be interested in 479,050,000 shares pursuant to the Part XV of the SFO.

Note 3: These 64,210,000 shares are owned by Mr. Tsang Wai Lun, Wayland ("Mr. Tsang"), spouse of Ms. Kwok Wai Man, Nancy ("Ms. Kwok"). Ms. Kwok is deemed to be interested in 64,210,000 shares pursuant to the Part XV of the SFO.

Note 4: These 14,170,000 shares are owned by Ms. Kwok, spouse of Mr. Tsang. Mr. Tsang is deemed to be interested in 14,170,000 shares pursuant to the Part XV of the SFO.

MANAGEMENT CONTRACTS

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

COMPETING INTERESTS

As at 31 December 2011, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, there is sufficient public float of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2011.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws, or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the published results, and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated and reclassified as appropriate, is set out on page 117. This summary does not form part of the audited consolidated financial statements.

MAJOR PROPERTIES

Details of the major properties of the Group at 31 December 2011 are set out on pages 118 to 122.

BANK LOANS AND OTHER BORROWINGS

Details of bank and other borrowings are set out in note 24 to the consolidated financial statements.

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

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold, redeemed or cancelled any of the Company's listed securities.

COMPLIANCE

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code throughout the year except deviation stated in the Corporate Governance Report on pages 11 to 18.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2011, with external auditor. There were no disagreements from the auditor or the Audit Committee in respect of the accounting policies adopted by the Company.

AUDITOR

The consolidated financial statements of the Group for the years ended 31 December 2009, 2010 and 2011 were audited by Baker Tilly Hong Kong Limited.

Baker Tilly Hong Kong Limited will retire at the conclusion of the 2012 AGM and being eligible, offer themselves for re-appointment at the 2012 AGM. A resolution for the re-appointment of Baker Tilly Hong Kong Limited as the Auditor will be proposed at the 2012 AGM.

On behalf of the Board

Ma Xuemian
Chairman

Hong Kong, 19 April 2012

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司
2nd Floor, 625 King's Road, North Point, Hong Kong
香港北角英皇道625號2樓

Independent auditor's report to the shareholders of
Grand Field Group Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Grand Field Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 116, which comprise the consolidated and Company's balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of the 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This 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 auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

BASIS FOR QUALIFIED OPINION

Due to the lack of certain accounting books and records of the Group's subsidiary, Yuan Cheng Real Estate (Shenzhen) Limited ("Yuan Cheng") and changes in key management of Yuan Cheng during the year, we were unable to carry out audit procedures to satisfy ourselves as to whether the income, expenses, assets, liabilities and related disclosures relating to Yuan Cheng which have been included in the consolidated financial statements of the Group as stated below, have been accurately recorded and properly accounted for in the consolidated financial statements.

Income and expenses of Yuan Cheng for the year ended 31 December 2011:

	HK$'000
Other net gains	3,313
Distribution expenses	112
Administrative expenses	4,474

Assets and liabilities of Yuan Cheng as at 31 December 2011:

	HK$'000
Trade and other payables	479

There were no other satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the above matter. Accordingly, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Any adjustments to these figures may have consequential significant effect on the net assets at 31 December 2011 and the loss for the year then ended of the Group.

QUALIFIED OPINION ARISING FROM LIMITATION OF SCOPE

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, 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 loss 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.

Independent Auditor's Report

EMPHASIS OF MATTER

Without further qualifying our opinion, we draw attention to the following matters:

(a) We have considered the adequacy of the disclosures made in note 30(a)(i) to the consolidated financial statements concerning the possible outcome of various legal proceedings initiated by a former director and shareholder of the Company, Mr. Tsang Wai Lun, Wayland, against eight of the then directors, alleging that the then directors had breached their fiduciary duties in relation to various transactions entered into by the Group. In the opinion of the Directors, the defendant directors have resigned and the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

(b) As mentioned in note 2(b) to the consolidated financial statements, the Group incurred a consolidated net loss attributable to the equity shareholders of the Company of approximately HK$12,984,000 (2010: HK$25,146,000) for the year ended 31 December 2011, and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$16,094,000 (2010: HK$9,150,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the appropriateness of which is dependent on the Group's ability to generate sufficient working capital to meet its financial requirements. The consolidated financial statements do not include any adjustments that may be necessary should the Group fail to finance its future working capital and financial requirements. We consider that adequate disclosures have been made.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 19 April 2012
Lo Wing See
Practising Certificate number P04607

Consolidated Income Statement

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

	Note	**2011** **HK$'000**	2010 HK$'000
Revenues	4	**5,618**	4,058
Cost of revenue		**(2,409)**	(2,354)
Gross profit		**3,209**	1,704
Other revenue	4	**52**	114
Other net gains and losses	4	**14,081**	(9,652)
Distribution costs		**(549)**	(456)
Administrative expenses		**(23,578)**	(19,202)
Loss from operations		**(6,785)**	(27,492)
Finance costs	5(c)	**(2,132)**	–
Loss before taxation	5	**(8,917)**	(27,492)
Income tax (expense)/credit	6	**(4,067)**	2,346
Loss for the year		**(12,984)**	(25,146)
Attributable to:			
Equity shareholders of the Company		**(12,984)**	(25,146)
Loss per share (basic and diluted)	10	**(0.52 cent)**	(1.00 cent)

The notes on pages 40 to 116 form part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

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

	Note	2011 HK$'000	2010 HK$'000
Loss for the year		**(12,984)**	(25,146)
Other comprehensive income	9		
Exchange differences on translation of financial statements of overseas subsidiaries		**14,976**	6,421
Total comprehensive income/(loss) for the year		**1,992**	(18,725)
Attributable to:			
Equity shareholders of the Company		**1,992**	(18,725)

The notes on pages 40 to 116 form part of the consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2011 (Expressed in Hong Kong dollars)

	Note	**2011 HK$'000**	2010 HK$'000
Non-current assets			
Property, plant and equipment	12	**17,399**	19,018
Investment properties	13	**70,080**	60,736
Prepaid premium for land leases	14	**183,302**	179,445
Properties under development	15	**13,463**	12,762
Other financial assets	17	**829**	–
Mortgage loan receivables due after one year	18	**165**	679
Goodwill	19	**–**	–
Restricted cash	22	**123**	116
		285,361	272,756
Current assets			
Completed properties held for sale	20	**8,793**	10,401
Mortgage loan receivables	18	**413**	771
Other receivables, deposits and prepayments	21	**2,484**	4,120
Tax recoverable	26(a)	**438**	374
Cash and cash equivalents	22	**1,415**	1,537
		13,543	17,203
Current liabilities			
Trade and other payables	23	**21,390**	24,259
Interest-bearing borrowings	24	**7,134**	1,168
Tax payable	26(a)	**1,071**	884
Dividend payable		**42**	42
		29,637	26,353
Net current liabilities		**(16,094)**	(9,150)
Total assets less current liabilities		**269,267**	263,606
Non-current liabilities			
Deferred tax liabilities	26(b)	**3,979**	310
NET ASSETS		**265,288**	263,296
CAPITAL AND RESERVES			
Share capital	27(c)	**50,336**	50,336
Reserves		**214,952**	212,960
TOTAL EQUITY		**265,288**	263,296

Approved and authorised for issue by the Board of Directors on 19 April 2012

Ma Xuemian
Director

Kwok Siu Wa, Alison
Director

The notes on pages 40 to 116 form part of the consolidated financial statements.

Balance Sheet

As at 31 December 2011 (Expressed in Hong Kong dollars)

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	12	**2**	9
Investments in subsidiaries	16	**159,056**	159,056
		159,058	159,065
Current assets			
Other receivables, deposits and prepayments	21	**303**	1,141
Amounts due from subsidiaries	16	**66,603**	67,716
Cash and cash equivalents	22	**157**	298
		67,063	69,155
Current liabilities			
Other payables	23	**7,119**	7,231
Amount due to a subsidiary	16	**28,453**	22,989
Dividend payable		**42**	42
		35,614	30,262
Net current assets		**31,449**	38,893
NET ASSETS		**190,507**	197,958
CAPITAL AND RESERVES	27		
Share capital		**50,336**	50,336
Reserves		**140,171**	147,622
TOTAL EQUITY		**190,507**	197,958

Approved and authorised for issue by the Board of Directors on 19 April 2012

Ma Xuemian
Director

Kwok Siu Wa, Alison
Director

The notes on pages 40 to 116 form part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

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

	Attributable to equity shareholders of the Company						
	Share capital (note 27(c)) HK$'000	**Share premium** (note 27(d)(i)) HK$'000	**Share option reserve** (note 27(d)(ii)) HK$'000	**Special reserve** (note 27(d)(iii)) HK$'000	**Exchange reserve** (note 27(d)(iv)) HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
Balance at 1 January 2010	50,336	261,949	12,565	(2,215)	70,101	(110,715)	282,021
Change in equity for 2010:							
Loss for the year	–	–	–	–	–	(25,146)	(25,146)
Other comprehensive income	–	–	–	–	6,421	–	6,421
Total comprehensive loss	–	–	–	–	6,421	(25,146)	(18,725)
Transfer on lapse of share options	–	–	(7,165)	–	–	7,165	–
Balance at 31 December 2010 and 1 January 2011	50,336	261,949	5,400	(2,215)	76,522	(128,696)	263,296
Change in equity for 2011:							
Loss for the year	–	–	–	–	–	(12,984)	(12,984)
Other comprehensive income	–	–	–	–	14,976	–	14,976
Total comprehensive income	–	–	–	–	14,976	(12,984)	1,992
Transfer on lapse of share options	–	–	(5,400)	–	–	5,400	–
Balance at 31 December 2011	**50,336**	**261,949**	**–**	**(2,215)**	**91,498**	**(136,280)**	**265,288**

The notes on pages 40 to 116 form part of the consolidated financial statements.

Consolidated Cash Flow Statement

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

	Note	2011 HK$'000	2010 HK$'000
Operating activities			
Loss before taxation		**(8,917)**	(27,492)
Adjustments for:			
Amortisation of prepaid premium for land leases	5(b)	**6,005**	5,561
Depreciation	5(b)	**1,747**	1,680
Fair value (gain)/loss on investment properties	4	**(6,513)**	9,498
Net (gain)/loss on disposal of property, plant and equipment	4	**(2,183)**	51
Net gain on disposal of investment properties	4	**(1,254)**	–
Interest income	4	**(11)**	(13)
Interest expenses	5(c)	**2,132**	–
(Reversal of impairment loss)/impairment loss on mortgage loan receivables	4	**(2,246)**	106
Provision for litigation settlement	5(b)	**–**	330
Reversal of impairment loss on other receivables, deposits and prepayments, net	4	**(2,086)**	(3,301)
Write-down of completed properties held for sale	4	**201**	3,298
Write-off of property, plant and equipment	5(b)	**445**	–
Write-off of other receivables, deposits and prepayments	5(b)	**542**	–
Operating loss before changes in working capital		**(12,138)**	(10,282)
Decrease in completed properties held for sale		**1,979**	2,125
Decrease in mortgage loan receivables		**3,198**	969
Decrease in other receivables, deposits and prepayments		**3,343**	10,948
Decrease in trade and other payables		**(3,520)**	(1,449)
(Decrease)/increase in deposits received on properties held for sale		**(156)**	400
Cash (used in)/generated from operations		**(7,294)**	2,711
Interest received		**11**	13
Tax paid – overseas tax paid, net		**(321)**	(2,510)
Net cash (used in)/generated from operating activities		**(7,604)**	214

Consolidated Cash Flow Statement

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

	Note	**2011** **HK$'000**	2010 HK$'000
Investing activities			
Purchases of property, plant and equipment		**(228)**	(22)
Proceeds from disposal of property, plant and equipment		**2,888**	–
Additions to investment properties		**–**	(360)
Additions to prepaid premium for land leases		**–**	(251)
Proceeds from disposal of investment properties		**1,804**	–
Increase in other financial assets		**(829)**	–
Decrease in restricted cash		**–**	987
Net cash generated from investing activities		**3,635**	354
Financing activities			
Interest paid		**(2,132)**	–
Increase in interest-bearing borrowings		**7,134**	–
Repayment of interest-bearing borrowings		**(1,168)**	–
Net cash generated from financing activities		**3,834**	–
Net (decrease)/increase in cash and cash equivalents		**(135)**	568
Cash and cash equivalents at 1 January		**1,537**	808
Effect of foreign exchange rate changes		**13**	161
Cash and cash equivalents at 31 December	22	**1,415**	1,537

The notes on pages 40 to 116 form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

1 CORPORATE INFORMATION

The Company was incorporated in Bermuda on 13 May 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is located at Unit 1004B, 10th Floor, Tower 5, China Hong Kong City, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company has its primary listing on the Main Board of the Stock Exchange.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in property development, property investment and property management. Details of the principal activities of its subsidiaries are set out in note 16 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise indicated, which is also the functional currency of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group and the Company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group and the Company for the current and prior accounting periods reflected in the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the investment properties are stated at their fair value as explained in the accounting policy in note 2(f).

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 32.

The consolidated financial statements have been prepared on a going concern basis. This may not be appropriate in view of the significant consolidated accumulated losses at 31 December 2011. The Group incurred net loss of approximately HK$12,984,000 (2010: HK$25,146,000) during the year ended 31 December 2011 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$16,094,000 (2010: HK$9,150,000). These conditions indicate the existence of material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the Group has obtained loan financing in 2012. The Directors are of the opinion that the Group will be able to finance its future working capital and financial requirements given that the Group has been actively seeking prospective investor.

In the opinion of the Directors, in light of the measures taken to date and on the basis of the above-mentioned major assumptions, the Group will have sufficient working capital to finance and maintain operations in the foreseeable future. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale.

(d) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	2.5% or over the lease term, whichever is shorter
Leasehold improvements	20% – 33.3%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of property, plant and equipment are reviewed for indications of impairment at each balance sheet date. An impairment loss is recognised to the extent that the carrying amount of an asset, or the cash-generating unit to which it belongs, is more than its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its net selling price and value in use. 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 time value of money and the risks specific to the assets. An impairment loss is reversed if there has been a favourable change in estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(u)(ii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)(ii)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(j).

(g) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(i)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 2(i)).

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Goodwill *(Continued)*

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Other investments in equity securities

Other than investment in subsidiaries and jointly controlled entities, investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(i)).

(i) Impairment of assets

(i) Impairment of financial assets at amortised cost

Mortgage loan receivables and trade and other receivables that are stated at amortised cost are reviewed at the end of each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(i) Impairment of financial assets at amortised cost *(Continued)*

- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of mortgage loan receivables and trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)).

– investments in unquoted equity securities.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(f)); and

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

(i) Classification of assets leased to the Group *(Continued)*

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

(iii) Operating lease charges *(Continued)*

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(f)) or is held for development for sale (see note 2(l)).

(k) Property held under development

Properties held under development are stated at the lower of cost and net realisable value and comprises construction costs, amortisation of land use rights, borrowing costs and professional fees incurred during the development period. Net realisable value is determined by reference to management estimates based on prevailing market conditions less costs to be incurred in selling the property. On commencement of construction, properties held for development are transferred to properties under development. On completion, the properties are transferred to completed properties held for sale.

(l) 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 apportionment of the total development costs for that development project attributable to the unsold properties. Net realisable value represents the estimated selling prices less costs to be incurred in selling the property.

The costs of completed properties held for sale comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Loans and receivables

(i) Mortgage loan receivables

Mortgage loan receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of mortgage loan receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss. Once mortgage loan receivables have been written down as a result of impairment loss, the reversal of previous provision will be charged to the administrative expenses.

(ii) Other receivables

Other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would not be material, in which case they are stated at cost.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Employee benefits

(i) Employee leave entitlements

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(ii) Employee retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss 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 this subsidiary in an independently administered fund. The employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the Company and its subsidiaries operating in the PRC have participated in central pension schemes (the "Schemes") operated by local municipal governments, whereby the Company and its subsidiaries in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the Scheme to fund their retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries in the PRC. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss as incurred.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Employee benefits *(Continued)*

(iii) Share-based payments *(Continued)*

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Translation of foreign currencies

(i) Functional and presentation currency

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Translation of foreign currencies *(Continued)*

(ii) Transactions and balances

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair value was determined.

(iii) Group companies

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as advanced proceeds received from customers under current liabilities.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue recognition *(Continued)*

(iii) Property management service income

Management fee income is recognised when services are rendered.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying asset which necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities 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).

(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).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's consolidated financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*
- Amendments to HK(IFRIC) 14, HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement

Other than as noted below, the adoption of the new amendments and interpretation had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 24 (revised 2009), Related party disclosures

The revised accounting policy revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

4 REVENUES AND OTHER NET GAINS/(LOSSES)

The principal activities of the Group are property development, property management and investment.

Turnover represents the aggregate of net amounts received and receivable for completed properties held for sale sold by the Group to outside customers, property rental income and property management services rendered for the years ended, less sales return of properties sold, and is analysed as follows:

	2011 HK$'000	2010 HK$'000
Revenues		
Sales of properties held for sale	**3,855**	1,951
Property rental	**1,763**	1,695
Property management services	**–**	412
Turnover	**5,618**	4,058
Other revenue		
Interest income on bank deposits	**11**	13
Penalty income	**24**	35
Sundry income	**17**	66
	52	114
Other net gains and losses		
Fair value gain/(loss) on investment properties	**6,513**	(9,498)
Net gain on disposal of investment properties	**1,254**	–
Net gain/(loss) on disposal of property, plant and equipment	**2,183**	(51)
Reversal of impairment loss/(impairment loss) on mortgage loan receivables	**2,246**	(106)
Reversal of impairment loss on other receivables, deposits and prepayments, net	**2,086**	3,301
Write-down of completed properties held for sale	**(201)**	(3,298)
	14,081	(9,652)
Total revenues and other net gains and losses	**19,751**	(5,480)

5 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

		2011 HK$'000	2010 HK$'000
(a)	Staff costs (including Directors' emoluments) (note 7(a)):		
	Salaries, wages and other benefits	**5,291**	5,673
	Contributions to defined contribution retirement plans	**26**	26
		5,317	5,699
(b)	Other items:		
	Amortisation of prepaid premium for land leases	**6,005**	5,561
	Auditor's remuneration	**704**	903
	Business tax and other levies (included in cost of completed properties sold)	**319**	229
	Cost of completed properties sold	**2,409**	2,125
	Depreciation	**1,747**	1,680
	Fair value (gain)/loss on investment properties	**(6,513)**	9,498
	Net gain on disposal of investment properties	**(1,254)**	–
	(Reversal of impairment loss)/impairment loss on mortgage loan receivables	**(2,246)**	106
	Net (gain)/loss on disposal of property, plant and equipment	**(2,183)**	51
	Net foreign exchange losses	**70**	131
	Provision for litigation settlement	**–**	330
	Rental charges under operating leases for office premises	**881**	907
	Reversal of impairment loss on other receivables, deposits and prepayments, net	**(2,086)**	(3,301)
	Write-down of completed properties held for sale	**201**	3,298
	Write-off of property, plant and equipment	**445**	–
	Write-off of other receivables, deposits and prepayments	**542**	–
(c)	Finance costs:		
	Interest on interest-bearing borrowings – wholly repayable within five years	**2,132**	–

No borrowing costs have been capitalised during the two financial years.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2011 **HK$'000**	2010 HK$'000
Current tax		
Enterprise Income Tax in the PRC	**–**	58
Land Appreciation Tax in the PRC	**415**	(694)
Deferred tax		
Origination and reversal of temporary differences (note 26(b))	**3,652**	(1,710)
	4,067	(2,346)

PRC Enterprise Income Tax for the subsidiaries incorporated in the PRC is calculated at 25% of the estimated assessable profit for the year (2010: 25%).

PRC Enterprise Income Tax for the subsidiaries incorporated in Hong Kong, which have property development investments in the PRC, is calculated at 3% (2010: 3%) of the sales revenue on the respective property development projects.

PRC Land Appreciation Tax is levied at progressive rates ranging from 30% to 60% on the appreciation of the land value, being the proceeds of sales of properties less deductible expenditure including amortisation of land use rights, borrowing costs and all property development expenditures.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's income neither arises, nor is derived, from Hong Kong in both financial years. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(Continued)*

(b) Reconciliation between tax expense/(credit) and accounting loss at applicable tax rates:

	2011 **HK$'000**	2010 HK$'000
Loss before taxation	**(8,917)**	(27,492)
Notional tax credit on loss before taxation, calculated at the rates applicable to profits in the countries concerned	**(1,013)**	(8,110)
Effect of different tax calculation basis for the PRC property development projects operated by the Hong Kong subsidiaries	**579**	1,794
Tax effect on non-deductible expenses	**8,846**	235
Tax effect on non-taxable income	**(6,404)**	(688)
Tax effect on tax losses not recognised	**1,644**	5,117
Land Appreciation Tax	**415**	(694)
Actual tax expense/(credit)	**4,067**	(2,346)

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

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

	2011			
	Directors' fees HK$'000	Basic salaries and other benefits HK$'000	Provident fund contributions HK$'000	Total HK$'000
Chairman				
Mr. Ma Xuemian	600	–	–	600
Executive Directors				
Mr. Wong King Lam, Joseph (note (i))	375	–	8	383
Ms. Chow Kwai Wa, Anne (note (ii))	60	390	12	462
Ms. Kwok Siu Wa, Alison (note (iii))	60	390	12	462
Mr. Chen Mudong (note (iv))	182	–	–	182
Mr. Kwok Siu Bun (note (v))	140	–	5	145
Independent Non-executive Directors				
Mr. Chow Chi-ping, David	180	–	–	180
Mr. Liu Chaodong	120	–	–	120
Ms. Chui Wai Hung (note (vi))	120	–	–	120
Non-executive Directors				
Mr. Lim Francis	300	–	–	300
Mr. Kwok Siu Bun (note (v))	129	–	–	129
Mr. Chen Mudong (note (iv))	120	–	–	120
	2,386	780	37	3,203

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

	2010			
	Directors' fees	Basic salaries and other benefits	Provident fund contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Chairman				
Mr. Ma Xuemian	573	–	–	573
Executive Directors				
Mr. Wong King Lam, Joseph (note (i))	600	–	14	614
Mr. Chen Mudong (note (iv))	530	–	–	530
Ms. Chow Kwai Wa, Anne (note (ii))	54	390	13	457
Ms. Kwok Siu Wa, Alison (note (iii))	54	382	12	448
Independent Non-executive Directors				
Mr. Chow Chi-ping, David	180	–	–	180
Mr. Liu Chaodong	120	–	–	120
Ms. Chui Wai Hung (note (vi))	33	–	–	33
Ms. Zhang Xiaoyan (note (vii))	45	–	–	45
Non-executive Directors				
Mr. Lim Francis	300	–	–	300
Mr. Kwok Siu Bun (note (v))	162	–	–	162
Mr. Zhao Yang (note (viii))	114	–	–	114
Mr. Chu King Fai (note (ix))	85	–	–	85
Mr. Ng Ka Chong (note (x))	56	–	–	56
	2,906	772	39	3,717

7 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Note:

(i) Mr. Wong King Lam, Joseph resigned on 15 August 2011.

(ii) Ms. Chow Kwai Wa, Anne was appointed on 5 February 2010.

(iii) Ms. Kwok Siu Wa, Alison was appointed on 5 February 2010.

(iv) Mr. Chen Mudong was re-designated from executive director to non-executive director on 15 April 2011.

(v) Mr. Kwok Siu Bun was appointed as a non-executive director on 5 February 2010 and re-designated to executive Director on 15 August 2011.

(vi) Ms. Chui Wai Hung was appointed on 21 September 2010.

(vii) Ms. Zhang Xiaoyan was appointed on 5 February 2010 and retired on 21 June 2010.

(viii) Mr. Zhao Yang retired on 21 June 2010.

(ix) Mr. Chu King Fai retired on 21 June 2010.

(x) Mr. Ng Ka Chong resigned on 8 March 2010.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included five (2010: five) directors whose emoluments are reflected in the analysis presented above. No emoluments are payable to the highest paid individuals during the year (2010: nil).

8 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The Group's consolidated loss attributable to equity shareholders of the Company includes a loss of approximately HK$7,451,000 (2010: HK$67,277,000) which has been dealt with in the consolidated financial statements of the Company.

9 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are as follows:

	2011			2010		
	Before tax amount	Tax expense	Net of tax amount	Before tax amount	Tax expense	Net of tax amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Exchange differences on translation of financial statements of overseas subsidiaries	14,976	–	14,976	6,421	–	6,421
Other comprehensive income	14,976	–	14,976	6,421	–	6,421

10 LOSS PER SHARE

Basic loss per share is calculated based on the loss attributable to equity shareholders of approximately HK$12,984,000 (2010: HK$25,146,000) and on the weighted average number of 2,516,810,000 (2010: 2,516,810,000) shares in issue during the year.

Diluted loss per share is not presented as there are no diluting events during the years ended 31 December 2011 and 2010.

11 SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the executive directors and senior management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments on a divisional basis: (i) property development, (ii) property rental and (iii) property management.

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments for the year ended 31 December 2011 is set out below:

	Property development HK$'000	Property rental HK$'000	Property management HK$'000	Consolidated HK$'000
Revenue from external customers	**3,855**	**1,763**	**–**	**5,618**
Segment result	**6,558**	**(1,101)**	**–**	**5,457**
Unallocated income and gains, net				**5,513**
Unallocated expenses				**(17,755)**
Loss from operations				**(6,785)**
Finance costs				**(2,132)**
Loss before taxation				**(8,917)**
Income tax expense				**(4,067)**
Loss for the year				**(12,984)**

11 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

	Property development HK$'000	Property rental HK$'000	Property management HK$'000	Consolidated HK$'000
Segment assets	222,615	70,080	–	292,695
Unallocated assets				6,209
Total assets				298,904
Segment liabilities	7,886	341	–	8,227
Unallocated liabilities				25,389
Total liabilities				33,616
Other segment information:				
Depreciation	1,747	–	–	1,747
Amortisation of prepaid premium for land leases	6,005	–	–	6,005
Write-down of completed properties held for sale	201	–	–	201
Reversal of impairment loss on mortgage loan receivables	(2,246)	–	–	(2,246)
Reversal of impairment loss on other receivables, deposits and prepayments, net	(2,086)	–	–	(2,086)
Fair value gain on investment properties	–	(6,513)	–	(6,513)
Net gain on disposal of property, plant and equipment	(2,183)	–	–	(2,183)
Net gain on disposal of investment properties	–	(1,254)	–	(1,254)
Capital expenditure	228	–	–	228

11 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

Information regarding the Group's reportable segments for the year ended 31 December 2010 is set out below:

	Property development HK$'000	Property rental HK$'000	Property management HK$'000	Consolidated HK$'000
Revenue from external customers	1,951	1,695	412	4,058
Segment result	(11,242)	(7,798)	391	(18,649)
Unallocated income and gains, net				4,519
Unallocated expenses				(13,362)
Loss from operations				(27,492)
Finance costs				–
Loss before taxation				(27,492)
Income tax credit				2,346
Loss for the year				(25,146)
Segment assets	223,950	60,736	–	284,686
Unallocated assets				5,273
Total assets				289,959
Segment liabilities	13,975	289	–	14,264
Unallocated liabilities				12,399
Total liabilities				26,663

11 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

	Property development HK$'000	Property rental HK$'000	Property management HK$'000	Consolidated HK$'000
Other segment information:				
Depreciation	1,680	–	–	1,680
Amortisation of prepaid premium for land leases	5,561	–	–	5,561
Write-down of completed properties held for sale	3,298	–	–	3,298
Impairment loss on mortgage loan receivables	106	–	–	106
Reversal of impairment loss on other receivables, deposits and prepayments, net	(3,301)	–	–	(3,301)
Fair value loss on investment properties	9,498	–	–	9,498
Net loss on disposal of property, plant and equipment	51	–	–	51
Capital expenditure	273	360	–	633

11 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

Segment assets are measured in accordance with HKFRSs and the unallocated items included prepayment and deposits and cash and cash equivalents.

Unallocated liabilities included other payables, borrowings and deferred tax liabilities.

Unallocated income included interest income and sundry income.

Unallocated expenses included salaries, legal and professional fees, entertainment and travelling expenses, etc.

No customers in the segments individually accounted for ten percent or more of the Group's consolidated revenue for the year ended 31 December 2011 (2010: nil).

(b) Geographic information

The Group principally operates in the PRC with revenue and results derived mainly from its operations in the PRC. No geographical segment information is presented as the Group's assets and liabilities are substantially located in the PRC.

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Furniture, fixtures and office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At 1 January 2010	28,344	3,684	329	2,630	34,987
Exchange differences	621	50	7	34	712
Additions	–	22	–	–	22
Transfer from completed properties held for sale (note 20)	603	–	–	–	603
Disposals	–	(136)	–	–	(136)
At 31 December 2010	29,568	3,620	336	2,664	36,188
At 1 January 2011	29,568	3,620	336	2,664	36,188
Exchange differences	1,518	120	17	80	1,735
Additions	–	69	159	–	228
Write-off	–	(8)	–	(857)	(865)
Disposals	(636)	(1,790)	–	(458)	(2,884)
At 31 December 2011	30,450	2,011	512	1,429	34,402
Accumulated depreciation:					
At 1 January 2010	9,849	3,369	308	1,762	15,288
Exchange differences	215	46	7	19	287
Charge for the year	1,338	73	13	256	1,680
Written back on disposals	–	(85)	–	–	(85)
At 31 December 2010	11,402	3,403	328	2,037	17,170
At 1 January 2011	11,402	3,403	328	2,037	17,170
Exchange differences	512	111	17	45	685
Charge for the year	1,460	61	32	194	1,747
Written back on write-off	–	(8)	–	(412)	(420)
Written back on disposals	(48)	(1,696)	–	(435)	(2,179)
At 31 December 2011	13,326	1,871	377	1,429	17,003
Carrying value:					
At 31 December 2011	**17,124**	**140**	**135**	**–**	**17,399**
At 31 December 2010	18,166	217	8	627	19,018

12 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

The carrying amount of the buildings, all being held on long term leases, comprises:

	2011 **HK$'000**	2010 HK$'000
Buildings situated in the PRC	**17,124**	18,166

Buildings situated in the PRC mainly represent car park spaces and other facilities built in the construction projects.

The Company

	Furniture, fixtures and office equipment HK$'000	**Leasehold improvements** HK$'000	**Total** HK$'000
Cost:			
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	4	26	30
Accumulated depreciation:			
1 January 2010	–	7	7
Charge for the year	1	13	14
At 31 December 2010	1	20	21
1 January 2011	1	20	21
Charge for the year	1	6	7
At 31 December 2011	2	26	28
Carrying value:			
At 31 December 2011	**2**	**–**	**2**
At 31 December 2010	3	6	9

13 INVESTMENT PROPERTIES

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**60,736**	68,465
Exchange differences	**3,381**	1,409
Additions	**–**	360
Fair value gain/(loss) on investment properties	**6,513**	(9,498)
Disposals	**(550)**	–
At 31 December	**70,080**	60,736

Investment properties of the Group were revalued as at 31 December 2011 and 2010 on an open market value basis calculated using the Comparison Approach assuming sales in their existing states with the benefit of vacant possession and by reference to comparable sales/rental evidence as available in the relevant markets. The valuations were carried out by an independent firm of surveyors, BMI Appraisals Limited.

All of the investment properties are situated in the PRC and held on long term leases.

14 PREPAID PREMIUM FOR LAND LEASES

The Group

	Leasehold land in PRC HK$'000
Cost:	
At 1 January 2010	202,977
Exchange differences	4,777
Additions	251
At 31 December 2010	208,005
At 1 January 2011	208,005
Exchange differences	11,432
At 31 December 2011	219,437
Accumulated amortisation and impairment:	
At 1 January 2010	22,343
Exchange differences	656
Charge for the year	5,561
At 31 December 2010	28,560
At 1 January 2011	28,560
Exchange differences	1,570
Charge for the year	6,005
At 31 December 2011	36,135
Carrying value:	
At 31 December 2011	**183,302**
At 31 December 2010	179,445

14 PREPAID PREMIUM FOR LAND LEASES *(Continued)*

The Group *(Continued)*

	2011 HK$'000	2010 HK$'000
Leases of over 50 years – PRC	**14,257**	13,514
Leases of between 10 to 50 years – PRC	**169,045**	165,931
	183,302	179,445

(a) Leasehold land in the PRC comprises the cost of acquiring rights to use land in the PRC for property development over fixed periods.

(b) Amortisation of prepaid premium for land leases is recognised as an expense on a straight-line basis over the unexpired period of the land leases.

(c) The leasehold land in the PRC held under long term leases of HK$14,257,000 (2010: HK$13,514,000) comprises parcels of land in Dongguan. The land use right certificates are registered under the name of co-operative partner (see also note 15(b)).

(d) The leasehold land in the PRC held under a medium term lease, in the amount of HK$169,045,000 (2010: HK$165,931,000), represents the Group's 50% interest in a parcel of land in Shenzhen ("Shenzhen Land"). The Group will transfer its interest in the Shenzhen Land to 深圳棕科置業有限公司(“深圳棕科”) as capital contribution (note 29 (a)(i)).

15 PROPERTIES UNDER DEVELOPMENT

	The Group	
	2011	2010
	HK$'000	HK$'000
Development and incidental costs	**34,326**	32,036
Interest capitalised	**8,001**	7,459
	42,327	39,495
Less: Provision for impairment loss (note 15(c))	**(28,864)**	(26,733)
	13,463	12,762

The carrying amounts of properties under development are analysed below:

	The Group	
	2011	2010
	HK$'000	HK$'000
Property development projects with co-operative partner (note 15(b))	**–**	–
Property development project on its own	**13,463**	12,762
	13,463	12,762

(a) The balance represents the costs incurred by the Group on the properties under construction in the PRC.

(b) Under the contracts of property development projects entered into between the Group and the co-operative partner, the co-operative partner was responsible for making available the land use rights of the construction sites while the Group was responsible for the construction of these properties.

(c) A provision for impairment of properties under development, in an aggregate amount of HK$28,864,000, was made as at 31 December 2011 (2010: HK$26,733,000) as, in the opinion of the Directors, the piling and foundation works for which development costs were incurred were no longer useful for contemporary building development.

16 INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES

	The Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**159,056**	159,056
Amounts due from subsidiaries	**118,139**	224,620
Less: Provision for impairment loss	**(51,536)**	(156,904)
	66,603	67,716
Amount due to a subsidiary	**(28,453)**	(22,989)

The carrying amount of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the ultimate holding company of the Group under the Group reorganisation in 1999.

Amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(Expressed in Hong Kong dollars)

16 INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES *(Continued)*

Details of the Group's subsidiaries as at 31 December 2011 and 2010 are as follows:

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest		Principal activities
			2011	2010	
Directly held by the Company					
Grand Field Group Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	Investment holding
Grand Field Group Investments (BVI) Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	Investment holding
China Max Group Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	Investment holding
Metro China Investment Limited	British Virgin Islands/ Hong Kong	US$1	100%	100%	Dormant
Indirectly held through subsidiaries					
Grand Field Group Limited	Hong Kong	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	100%	100%	Investment holding and property development
Grand Field Property Development (Shenzhen) Company Limited	PRC	Renminbi ("RMB") 19,232,100	100%	100%	Property development
Ka Fong Industrial Company Limited	Hong Kong/PRC	Ordinary shares of HK$200 and non-voting deferred shares of HK$200,000	100%	100%	Property development

(Expressed in Hong Kong dollars)

16 INVESTMENTS IN AND BALANCES WITH SUBSIDIARIES *(Continued)*

Name of subsidiary	Place/country of incorporation (or establishment)/ operations	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest 2011	2010	Principal activities
Indirectly held through subsidiaries *(Continued)*					
Kwan Cheung Holdings Limited*	Hong Kong/PRC	Ordinary shares of HK$200 and non-voting deferred shares of HK$200	100%	100%	Property development
Shing Fat Hong Limited	Hong Kong/PRC	Ordinary shares of HK$4 and non-voting deferred shares of HK$2	100%	100%	Property development
Grand Field New Energy Company Limited*	Hong Kong	HK$2	100%	100%	Property holding
Yuan Cheng Real Estate (Shenzhen) Limited	PRC	HK$50,000,000	100%	100%	Property management, information services and property agent
China Maxline Limited*	Hong Kong	HK$1	100%	100%	Investment holding
Sharp Gain Limited	Hong Kong	HK$1	100%	100%	Investment holding
豐盛發貿易(深圳)有限公司	PRC	RMB8,000,000	100%	100%	Dormant

* These subsidiaries ceased their businesses on 31 December 2011 and applications will be filed with the Hong Kong Companies Registry for the deregistration of these subsidiaries under section 291AA of the Hong Kong Companies Ordinance after the year end date of 31 December 2011.

17 OTHER FINANCIAL ASSETS

	The Group	
	2011	2010
	HK$'000	HK$'000
Unlisted investment, at cost	**829**	–

Unlisted investment is the cash capital contribution to 深圳棕科(note 29(a)(i)).

18 MORTGAGE LOAN RECEIVABLES

	The Group	
	2011	2010
	HK$'000	HK$'000
Total loan receivables (note 18(a))	**6,253**	8,963
Less: Provision for impairment loss (note 18(b))	**(5,675)**	(7,513)
	578	1,450
Less: Current portion classified as current assets	**(413)**	(771)
Balance due after one year	**165**	679

Mortgage loan receivables represent the interest-free loans provided by the Group to the purchasers of properties, which are repayable by instalments as stipulated in the loan agreements. The loans are secured by the purchasers' properties. Pursuant to the terms of the sale and purchase agreements, upon default in installment payments by these purchasers, the Group is entitled to take over the legal title and possession of the related properties.

All of the mortgage loan receivables are denominated in RMB.

The carrying amounts of the current portions and non-current portions of mortgage loan receivables approximate their fair values. The fair value is determined based on cash flows discounted using the bank borrowings rate of 6.56% per annum (2010: 5.81% per annum).

18 MORTGAGE LOAN RECEIVABLES *(Continued)*

(a) Maturity analysis

	The Group	
	2011 **HK$'000**	2010 HK$'000
Total mortgage loans are receivable as below:		
Within one year	**443**	806
In more than one year but less than five years	**5,810**	8,157
	6,253	8,963

(b) Impairment of mortgage loan receivables

The movement in the provision for impairment loss during the year, including discounting effect, both specific and collective loss components, is as follows:

	The Group	
	2011 **HK$'000**	2010 HK$'000
At 1 January	**7,513**	8,329
Exchange differences	**408**	176
(Reversal of impairment loss)/impairment loss recognised	**(2,246)**	106
Uncollectable amount written off	**–**	(1,098)
At 31 December	**5,675**	7,513

18 MORTGAGE LOAN RECEIVABLES *(Continued)*

(c) Mortgage loan receivables that are not impaired

An analysis of mortgage loan receivables that are neither individually nor collectively considered to be impaired is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Full performing under credit terms, impaired as discounted	**578**	1,450
Past due and impaired	**–**	–
	578	1,450

19 GOODWILL

	The Group
	HK$'000
Cost:	
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	997
Accumulated impairment losses:	
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	997
Carrying value:	
At 31 December 2011	**–**
At 31 December 2010	–

20 COMPLETED PROPERTIES HELD FOR SALE

	The Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**13,986**	16,418
Exchange differences	**701**	296
Cost of properties sold recognised for the year	**(2,495)**	(2,125)
Transfer to property, plant and equipment (note 12)	**–**	(603)
Consumable goods charged to income statement	**(18)**	–
At 31 December	**12,174**	13,986
Less: Write-down of completed properties held for sale	**(3,381)**	(3,585)
	8,793	10,401

All of the completed properties held for sale are situated in the PRC, are carried at lower of cost and net realisable value and are held on long term leases.

21 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables	**1,853**	1,746	**–**	–
Deposit for purchase of property (note 21(b))	**–**	–	**–**	–
Security deposit for property management services (note 21(c))	**–**	–	**–**	–
Amount receivable on sale of investment properties (note 21(d))	**–**	1,163	**–**	–
Other deposits and prepayments	**631**	1,211	**303**	1,141
	2,484	4,120	**303**	1,141

All of the other receivables, deposits and prepayments are expected to be recovered or recognised as expenses within one year. The carrying amounts of other receivables, deposits and prepayments approximate their fair values.

21 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

(a) Currency analysis

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

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**551**	1,141	**303**	1,141
RMB	**1,933**	2,979	**–**	–
	2,484	4,120	**303**	1,141

(b) Pursuant to a memorandum entered into with 深圳市寶瀾投資股份有限公司 (“深圳市寶瀾”) dated 1 December 2008, the Group's wholly owned subsidiary, Yuan Cheng Real Estate (Shenzhen) Limited (“Yuan Cheng”) made a deposit of RMB5,000,000 (equivalent to HK$6,135,000) with 深圳市寶瀾 in connection with a possible property project “華僑新苑” in Shenzhen developed by 深圳市寶瀾. The memorandum sets out a 1-year period, during which Yuan Cheng has an option to purchase the property at a consideration of RMB89,871,700 (equivalent to HK$110,272,000) or to be reimbursed the deposit should Yuan Cheng not proceed with the property purchase. Yuan Cheng has not further proceeded the property purchase.

In the opinion of the Directors, the recoverability of the deposit was uncertain and an allowance of impairment loss of RMB2,300,000 (equivalent to HK$2,614,000) was made as at 31 December 2010. During the year ended 31 December 2011, part of the deposit of RMB2,300,000 (equivalent to HK$2,822,000) has been refunded in cash to the Group and thus an allowance of impairment loss of RMB2,300,000 (equivalent to HK$2,822,000) has been reversed and credited to the consolidated income statement for the year ended 31 December 2011.

21 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

(c) On 25 March 2008, Yuan Cheng entered into an agreement with Dongguan City Hua Jia Fu Industry and Trading Limited ("Hua Jia Fu") and Dongguan City Min Tai Industry and Investment Limited ("Dongguan City Min Tai") for provision of property management and consultancy services for a shopping plaza located in Tang Xia Town, Dongguan at an annual fee of RMB1,450,000 for a term of 2 years. Yuan Cheng made a security deposit of RMB8,000,000 (equivalent to HK$9,091,000), which was refundable on expiry of the contract on 31 March 2010.

In the opinion of the Directors, the recoverability of the deposit was uncertain and an allowance of impairment loss of RMB5,900,000 (equivalent to HK$6,705,000) was made as at 31 December 2010. During the year ended 31 December 2011, part of the deposit of RMB2,500,000 (equivalent to HK$2,877,000) has been refunded in cash to the Group and thus an allowance of impairment loss of RMB400,000 (equivalent to HK$491,000) has been reversed and credited to the consolidated income statement for the year ended 31 December 2011.

(d) In 2009, the Group sold investment properties to a third party for a consideration of RMB8,900,000 (equivalent to HK$10,676,000). At 31 December 2011, RMB1,000,000 (equivalent to HK$1,227,000) of the consideration was unsettled. In the opinion of the Directors, the recoverability of the receivable is uncertain and an allowance of impairment loss has been made for this receivable.

22 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**1,538**	1,653	**157**	298
Less: Restricted cash	**(123)**	(116)	**–**	–
Cash and cash equivalents	**1,415**	1,537	**157**	298

(a) Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents and restricted cash approximate their fair values.

(b) Restricted cash represents guarantee deposits for mortgage loans provided by banks to purchasers of the Group's properties. According to the relevant contracts with banks, the Group is required to place in designated bank accounts certain amounts as deposits for potential default in payment of mortgage loans advanced to property purchasers. Such guarantee deposits will only be released after full repayment of the respective mortgage loans.

(c) The carrying amounts of cash and cash equivalents and restricted cash are denominated in the following currencies:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**558**	408	**157**	298
RMB (note 22(d))	**980**	1,245	**–**	–
	1,538	1,653	**157**	298

(d) The conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government.

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables to building contractors (note 23(a))	**1,064**	1,008	**–**	–
Accrued salaries and other operating expenses	**8,021**	7,245	**5,432**	5,425
Accrued interest expense	**1,424**	–	**–**	–
Accrued legal fees	**1,087**	1,096	**1,087**	1,096
Deposits received on sale of properties	**1,202**	1,293	**–**	–
Rental deposits received on investment properties	**428**	350	**–**	–
Amounts payable on return of properties	**4,105**	5,821	**–**	–
Provision for litigation settlement (note 23(c))	**2,310**	5,473	**600**	710
Other payables	**1,749**	1,973	**–**	–
	21,390	24,259	**7,119**	7,231

All of the trade and other payables are expected to be settled or recognised as an income within one year. The carrying amounts of trade and other payables approximate their fair values.

23 TRADE AND OTHER PAYABLES *(Continued)*

(a) Ageing analysis

An ageing analysis of trade payables is set out as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current to 90 days past due	**–**	–	**–**	–
91 to 180 days past due	**–**	–	**–**	–
181 to 360 days past due	**–**	–	**–**	–
Over 360 days past due	**1,064**	1,008	**–**	–
	1,064	1,008	**–**	–

(b) Currency analysis

The carrying amounts of trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**8,896**	8,962	**7,119**	7,231
RMB	**12,494**	15,297	**–**	–
	21,390	24,259	**7,119**	7,231

23 TRADE AND OTHER PAYABLES *(Continued)*

(c) The movements in the provision for litigation settlement during the year are as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 January	**5,473**	5,389	**710**	580
Exchange differences	**262**	112	**–**	–
Provision for the year	**–**	330	**–**	330
Payment during the year	**(3,425)**	(358)	**(110)**	(200)
At 31 December	**2,310**	5,473	**600**	710

Details of the Group's litigations are disclosed in note 30(a).

24 INTEREST-BEARING BORROWINGS

At 31 December 2011, the interest-bearing borrowings are repayable as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans from third parties payable within 1 year or on demand				
– secured (note 24(a))	**5,907**	–	**–**	–
– unsecured (note 24(b))	**1,227**	1,168	**–**	–
	7,134	1,168	**–**	–

24 INTEREST-BEARING BORROWINGS *(Continued)*

(a) Loan from a third party is secured by the shares of the Group's wholly owned subsidiary, Grand Field Property Development (Shenzhen) Company Limited ("Grand Field Shenzhen") interest-bearing at 25% per annum and repayable within 4 months from the draw down date. In the event that the loan is overdue, interest is charged at 40% per annum calculated from the draw down date.

At 31 December 2011, the loan has been overdue and bears interest at 40% per annum. The loan has been fully repaid in February 2012.

In the opinion of the Directors, the loan is a short term financing arrangement to meet incidental financial need of the Group. The interest charged on the loan includes a premium for such incidental financing arrangement.

(b) At 31 December 2011, loan from a third party is unsecured and interest-bearing at 3% per month. At 31 December 2010, loans from third parties were unsecured and interest-bearing at the weighted average effective interest rate of 5.5% per annum.

(c) The carrying amounts of interest-bearing borrowings are denominated in RMB.

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 23 June 2006 whereby the Directors of the Company are authorised, at their discretion, to invite employees of the Group, including Directors of any company in the Group, to take up options at consideration of HK$1 to subscribe for shares of the Company. The options have no vesting conditions and are exercisable within a period of three years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share in the Company. As at 31 December 2011, all the share options were lapsed.

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

The number and weighted average exercise prices of share options are as follows:

	2011 Weighted average exercise price	**2011** Number of options	2010 Weighted average exercise price	2010 Number of options
Outstanding at the beginning of the year	**HK$0.1474**	**94,000,000**	HK$0.1540	195,200,000
Lapsed during the year	**HK$0.1474**	**(94,000,000)**	HK$0.1601	(101,200,000)
Outstanding at the end of the year	**HK$–**	**–**	HK$0.1474	94,000,000
Exercisable at the end of the year	**HK$–**	**–**	HK$0.1474	94,000,000

There was no option outstanding at 31 December 2011. The options outstanding at 31 December 2010 had an exercise price of HK$0.128 or HK$0.1724 and a weighted average remaining contractual life of 1.3 years.

26 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group **2011** HK$'000	2010 HK$'000
Enterprise Income Tax payable in the PRC	**605**	573
Land Appreciation Tax payable in the PRC	**28**	(63)
	633	510

26 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET *(Continued)*

(a) Current taxation in the consolidated balance sheet represents: *(Continued)*

Reconciliation to the consolidated balance sheet:

	The Group	
	2011	2010
	HK$'000	HK$'000
Tax recoverable	**(438)**	(374)
Tax payable	**1,071**	884
	633	510

(b) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Revaluation of investment properties	
	2011	2010
	HK$'000	HK$'000
Deferred tax liabilities arising from revaluation of investment properties:		
At 1 January	**310**	2,013
Exchange differences	**17**	7
Charged/(credited) to the consolidated income statement (note 6(a))	**3,652**	(1,710)
At 31 December	**3,979**	310

(c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$82,307,000 (2010: HK$75,765,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The unrecognised tax losses will expire during 2012 to 2016 (2010: 2011 to 2015).

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The components of the Group's consolidated equity and their movements during the year are set out in the consolidated statement of changes in equity.

The components of the Company's equity and their movements during the year are set out below:

The Company

	Share capital (note 27(c)) HK$'000	Share premium (note 27(d)(i)) HK$'000	Share option reserve (note 27(d)(ii)) HK$'000	Contributed surplus (note 27(d)(v)) HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2010	50,336	261,949	12,565	140,281	(199,896)	265,235
Transfter on lapse of share options	–	–	(7,165)	–	7,165	–
Loss and total comprehensive loss for the year	–	–	–	–	(67,277)	(67,277)
Balance at 31 December 2010 and 1 January 2011	50,336	261,949	5,400	140,281	(260,008)	197,958
Transfter on lapse of share options	–	–	(5,400)	–	5,400	–
Loss and total comprehensive loss for the year	–	–	–	–	(7,451)	(7,451)
Balance at 31 December 2011	**50,336**	**261,949**	**–**	**140,281**	**(262,059)**	**190,507**

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2011 (2010: HK$nil).

(c) Share capital

	2011		2010	
	No. of shares ('000)	**HK$'000**	No. of shares ('000)	HK$'000
Authorised:				
Ordinary shares of HK$0.02 each	**5,000,000**	**100,000**	5,000,000	100,000
Ordinary shares, issued and fully paid:				
At 1 January and 31 December	**2,516,810**	**50,336**	2,516,810	50,336

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981.

(ii) Share option reserve

The share option reserve comprises the fair value of the actual or estimated number of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments in note 2(q)(iii).

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(d) Nature and purpose of reserves *(Continued)*

(iii) Special reserve

Special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries and the nominal value of the Company's shares issued as part of the Group reorganisation in 1999 for the listing of the Company's shares on the Stock Exchange.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries. The reserve is dealt with in accordance with the accounting policy set out in note 2(t).

(v) Contributed surplus

The contributed surplus of the Company arose as a result of the same Group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would be after the payments, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Distributability of reserves

In the opinion of the Directors, the Company's reserves available for distribution to equity shareholders are as follows:

	The Company	
	2011	2010
	HK$'000	HK$'000
Contributed surplus	**140,281**	140,281
Accumulated losses	**(262,059)**	(260,008)
	N/A	N/A

(f) Capital management

The Group's primarily objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

27 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(f) Capital management *(Continued)*

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgement to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Adjusted capital comprises all components of equity.

The gearing ratio at 31 December 2011 and 2010 was as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current liabilities:				
Payables and other borrowings	**29,637**	26,353	**7,161**	7,273
Less: Cash and cash equivalents	**(1,415)**	(1,537)	**(157)**	(298)
Net debt	**28,222**	24,816	**7,004**	6,975
Total equity and adjusted capital	**265,288**	263,296	**190,507**	197,958
Gearing ratio	**11%**	9%	**4%**	4%

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group is exposed to credit risk in relation to its mortgage loans and other receivables, and cash deposits with banks.

The Group is subject to the credit risk from the recoverability of mortgage loans and other receivables in order to minimise the credit risk. The management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivable at each balance sheet date to ensure that adequate impairment losses are recognised for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk in relation to mortgage loans and other receivables is significantly reduced.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from mortgage loan receivables and other receivables are set out in note 18 and 21.

The credit risk on bank deposits is limited because the counterparties are banks with high credit ratings.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets. Except for the restricted cash placed with banks by the Group as set out in note 22, the Group does not provide any guarantees which would expose the Group to credit risk.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk

The Group is exposed to significant liquidity risk. The maintenance of the Group as a going concern is dependent on the Group's ability to generate sufficient working capital to meet its financial requirements.

The Group had net current liabilities of approximately HK$16,094,000 (2010:HK$9,150,000) at 31 December 2011 which included interest-bearing borrowings, trade and other payables and dividend payable of approximately HK$7,134,000, HK$21,390,000 and HK$42,000 respectively (2010: HK$1,168,000, HK$24,259,000 and HK$42,000 respectively). The Group also had capital commitments outstanding at 31 December 2011 of approximately HK$275,848,000 (2010: HK$ nil) as disclosed in note 29(a).

The Directors closely monitor the cash flows of the Group and, upon maturity, would arrange for the renewal and refinancing of existing borrowings, where necessary, to enable the Group to carry on its operations in the foreseeable future. In the opinion of the Directors, the Group expects to renew the existing borrowings on similar terms and conditions when the existing borrowings mature. In this regard, the Directors consider that the Group's liquidity risk is significantly reduced.

As the aggregate market value of the Group's investment properties and completed properties held for sale is higher than existing borrowings, the Directors consider that the amount of additional banking facilities can be obtained by pledge of the Group's assets that would exceed the amount of the current liabilities of the Group. Accordingly, the Directors are of the opinion that the Group's liquidity risk is minimal.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balances sheet date) and the earliest date the Group and the Company can be required to pay:

	2011			2010		
	Balance sheet carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within 1 year or on demand HK$'000**	Balance sheet carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000
The Group						
Trade and other payables	**21,390**	**21,390**	**21,390**	24,259	24,259	24,259
Interest-bearing borrowings	**7,134**	**7,650**	**7,650**	1,168	1,168	1,168
Dividend payable	**42**	**42**	**42**	42	42	42
	28,566	**29,082**	**29,082**	25,469	25,469	25,469
The Company						
Other payables	**7,119**	**7,119**	**7,119**	7,231	7,231	7,231
Amount due to a subsidiary	**28,453**	**28,453**	**28,453**	22,989	22,989	22,989
Dividend payable	**42**	**42**	**42**	42	42	42
	35,614	**35,614**	**35,614**	30,262	30,262	30,262

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest-rate risk

The Group's interest rate risk arises primarily from short-term borrowings. Borrowing issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

As at 31 December 2011 and 2010, if interest rates on borrowing had been 1% higher/lower with all other variables held constant, loss for the current/prior year would have been increased/decreased by HK$71,000 and HK$71,000 respectively, mainly as a result of higher/lower interest expense on borrowings.

In the opinion of the Directors, the interest rate change illustrated is not reflecting the actual interest change, which may be subject to the market situation and the Group's financial position.

(d) Foreign currency risk

The currency risk of the Group is primarily attributable to the net investments in the PRC. The Group seeks to finance these investments by RMB borrowings. The Group monitors foreign exchange exposure and will consider to enter into forward foreign exchange contracts to reduce exposure should the market conditions require.

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010.

29 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2011 not provided for in the consolidated financial statements:

	The Group	
	2011	2010
	HK$'000	HK$'000
Contracted but not provided for:		
Capital contribution to a PRC company (note 29(a)(i))	**275,392**	–
Property development expenditures	**456**	–
	275,848	–

(i) On 24 January 2011, the Group entered into an agreement with 深圳鈞濠計算機軟件開發有限公司 and 廣東省紅岭集團有限公司. Pursuant to the agreement, a PRC company, 深圳棕科 was formed to develop the Shenzhen Land. The registered capital of 深圳棕科 is RMB450,240,000 (equivalent to HK$552,442,000), to which the Group agreed to contribute RMB225,120,000 (equivalent to HK$276,221,000), representing 50% of the registered capital of 深圳棕科. The Group is to contribute the capital by way of transfer of the Group's 50% interest in the Shenzhen Land, with a carrying amount of HK$169,045,000 in prepaid premium for the land leases as at 31 December 2011, to 深圳棕科 and cash of RMB67,536,000 (equivalent to HK$82,866,000). According to the memorandum of association of 深圳棕科, the cash capital is to be contributed within 2 years after business license is obtained.

At 31 December 2011, the Group has contributed RMB675,000 (equivalent to HK$829,000) of the cash capital (note 17).

(b) At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**572**	409	**–**	324
In the second to fifth year inclusive	**763**	–	**–**	–
	1,335	409	**–**	324

The Group is the lessee in respect of office premises held under operating leases. The leases typically run for an initial period of 3 years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

29 COMMITMENTS *(Continued)*

(c) Properties leased out under operating leases

The Group leases out investment property under operating leases. The leases typically run for an initial period of one to eight years, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**1,257**	1,548
In the second to fifth year inclusive	**2,618**	2,977
Over five years	**–**	186
	3,875	4,711

30 CONTINGENT LIABILITIES

(a) Litigation

(i) Legal proceedings by Mr. Tsang Wai Lun, Wayland and associates

On 6 June 2008, the Company was served with a writ of summons ("Originating Summons") by Mr. Tsang Wai Lun, Wayland, a former director and shareholder of the Company, alleging that in a transaction entered into in March 2008 by Yuan Cheng with Hua Jia Fu and Dongguan City Min Tai in provision of property management and consultancy services for a shopping plaza located in Tang Xia Town, Dongguan at an annual fee of RMB1,450,000 (equivalent to HK$1,648,000) for a term of 2 years, a refundable security deposit of RMB8,000,000 (equivalent HK$9,091,000) which Yuan Cheng made with Hua Jia Fu, was abused or mishandled.

30 CONTINGENT LIABILITIES *(Continued)*

(a) Litigation *(Continued)*

(i) Legal proceedings by Mr. Tsang Wai Lun, Wayland and associates (Continued)

On 25 February 2009, the Originating Summons was revised and issued by Mr. Tsang in the name of the Company in accordance with section 168BC of the Hong Kong Companies Ordinance against the then directors, Mr. Chu King Fai, Mr. Huang Bing Huang, Mr. Au Kwok Chuen Vincent, Mr. Hwang Ho Tyan, Mr. Zhao Juqun, Mr. Yang Biao, Dr. Wong Yun Kuen and Mr. Mok King Tong and the Company, alleging that the then directors had breached their fiduciary duties in relation to (i) the passing of the following resolutions of the Board, (aa) the resolution passed on or about 14 January 2008 to approve the remittance of HK$50,000,000 to Yuan Cheng, (bb) the resolution passed on or about 27 May 2008 to sanction the acquisition of a project known as the Yi Zheng Economic Development Zone High Technology Industrial Park 儀征經濟開發區高新技術產業園 (the "Yangzhou Project") from Min Tai Development Company Limited ("Min Tai Development") at HK$88,000,000 with an up-front payment of HK$5,000,000 paid out of funds of Yuan Cheng, (cc) the resolution passed on or about 15 March 2008 to sanction the entry of management services agreement by Yuan Cheng with Hua Jia Fu and Dongguan City Min Tai, which involved an up-front payment of RMB8,000,000 (equivalent to HK$9,091,000) by Yuan Cheng, (dd) the resolution passed on 27 May 2008 to sanction the entry of a cooperation framework agreement (the "Cooperation Framework Agreement") by Yuan Cheng with Shenzhen Zhong Cheng Construction Engineering Company Limited ("Zhong Cheng") which involved an up-front payment of RMB5,000,000 (equivalent to HK$5,682,000); (ii) the transfer of HK$50,000,000 to Yuan Cheng and to put the said HK$50,000,000 under the control of Yuan Cheng (collectively the "Resolutions"); (iii) the delivery of the financial documents of Yuan Cheng, including cheque books, chops and seals, bank cards, keys to safe deposit boxes to Madam Cheng Lai Yin; (iv) the failure and/or refusal to conduct any proper inquiry or due diligence into the proposed acquisition of the Yangzhou Project and/or the entire share capital of Min Tai Development; (v) the entering into of the placing agreement dated 14 July 2008 whereby the Company conditionally agreed to place 100,000,000 shares in the Company at the price of HK$0.16 per share in order to finance the proposed acquisition of the Yangzhou Project; (vi) the failure to cause Yuan Cheng and/or the Company to recover the earnest money in the amount of HK$5,000,000 from Min Tai Development in accordance with the letter of intent dated 23 June 2008 within 10 days after the Yangzhou Project fell through on 30 September 2008; (vii) the payment of the amount of RMB8,000,000 (equivalent to HK$9,091,000) by Yuan Cheng to Hua Jia Fu; (viii) the failure and/or refusal to conduct any or any proper inquiry into the terms of the Cooperation Framework Agreement and the payment of RMB5,000,000 (equivalent to HK$5,682,000) deposit on 23 June 2008 pursuant to the Cooperation Framework Agreement; (ix) the payment of the sums of RMB10,000,000 (equivalent to HK$11,364,000) and RMB7,000,000 (equivalent to HK$7,955,000) by Yuan Cheng to Zhong Cheng on or about 15 July 2008 and 29 August 2008 respectively; (x) the transfer of sums

30 CONTINGENT LIABILITIES *(Continued)*

(a) Litigation *(Continued)*

(i) Legal proceedings by Mr. Tsang Wai Lun, Wayland and associates (Continued)

totaling RMB33,100,000 (equivalent to HK$37,614,000) between Yuan Cheng and Shenzhen Hua Ke Nano-Technology Development Company Limited from 30 April 2008 to 23 June 2008; and (xi) the passing of the resolutions on 15 and 20 November 2008 sanctioning Grand Field Shenzhen to borrow up to RMB50,000,000 (equivalent to HK$56,818,000) to repay a loan owed to Yuan Cheng and to use the balance as operation capital of the Company. On the basis of these allegations, Mr. Tsang sought, inter alia, (i) a declaration that the decisions of the then directors to pass the Resolutions purportedly as board resolutions of the Company was not made bona fide in the interest of the Company; (ii) an order that the Resolutions be set aside, further or alternatively, a declaration that the Resolutions are invalid, null and void and of no legal effect; (iii) damages and/or equitable compensation, interest, costs and further and/or other relief; (iv) restitution of payments received directly or indirectly by the then directors, or any of them in breach of their fiduciary duties; (v) an account and/or inquiry of all payments, profits made and/or benefits received directly or indirectly as a result of their breaches of their fiduciary duties and an order for payment of all sums and delivery up of all assets found due upon the said inquiry or taking of the said account; and (vi) an injunction against the then directors restraining each of them from continuing as the Company's directors and/or exercising the powers as director. No judgment has been made as at the date of these consolidated financial statements. In the opinion of the Directors, the defendant directors have resigned and the aforesaid legal proceedings will have no further material impact on the financial position and operations of the Group.

(ii) Legal proceedings by a tenant

Back in 2006, the Group's wholly owned subsidiary, Shing Fat Hong Limited ("Shing Fat Hong"), signed a tenancy agreement with a karaoke operator for a ten-year period, whereby Shing Fat Hong was required to renovate and combine two entire floors of its commercial properties in Dongguan. The karaoke operator failed to apply for an operating license due to non-compliance of the building structure with fire safety regulations. Since 2007, the tenant has initiated several legal proceedings against Shing Fat Hong in local PRC courts for validation of the tenancy agreement and for compensation of decoration fees and other economic losses of RMB4,500,000 (equivalent to HK$5,114,000). However, Shing Fat Hong has appealed to, and sued the tenant, in local PRC courts for compensation of renovation and restoration of the properties, loss of rental income and other economic losses of RMB2,056,000 (equivalent to HK$2,336,000). In 2009, Shing Fat Hong has lost in a court case to claim against the tenant for compensation of restoration of the properties. Other legal proceedings between Shing Fat Hong and the tenant are still ongoing. In the opinion of the Directors, the aforesaid legal proceedings will have no material impact on the financial position and operations of the Group.

30 CONTINGENT LIABILITIES *(Continued)*

(a) Litigation *(Continued)*

(iii) Legal proceedings by Mr. Au Kwok Chuen Vincent

Mr. Au Kwok Chuen Vincent, a former executive director of the Company, lodged a claim at the Labour Department against the Company for his salary for the period from 1 May 2009 to 30 September 2009 in the total sum of HK$350,000. On 10 May 2010, Mr. Au formulated a claim at the Labour Tribunal against the Company for a total sum of HK$700,000 being the wages in lieu of notice, the arrear of wages, annual leave pay and severance payment. On 3 June 2010, the case was transferred to be heard at High Court.

A provision of HK$296,000 has been made in respect of the case in prior year. As no judgement has been made as at 31 December 2011, in the opinion of the Directors, no further provision is required to be made for the year.

(b) Sales return of properties sold

In the previous years, the Group had provided mortgage loans to purchasers of the Group's properties, which were interest-free and repayable by monthly instalments in 5 years. Upon default in mortgage payments by these purchasers, the Group shall reach agreement through negotiations with the defaulted purchasers and take over the possession of the relevant properties. In the two financial years of 2011 and 2010, there was no property returned to the Group. At 31 December 2011, there were 149 (2010: 172) properties under which mortgage loans were not yet repaid, with an aggregate contractual sales value of HK$32,880,000 (2010: HK$38,855,000) and the corresponding cost of sales amounting to HK$20,804,000 (2010: HK$24,646,000). In the absence of any reliable information on the probability of loan defaults and property returns, the Directors are unable to estimate the amount of any specific provision against these properties sold in the previous years.

31 RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

The remuneration of the Group's key management personnel is disclosed in note 7 to the consolidated financial statements.

(b) Transactions with other related parties

During the year, the Group paid consultancy fees of HK$999,000 (2010: HK$Nil) to Grand Field Resources Company Limited ("Grand Field Resources"). Mr. Tsang Wai Lun, Wayland ("Mr. Tsang") and Ms. Kwok Wai Man, Nancy are shareholders of Grand Field Resources, substantial shareholders and former directors of the Company. Mr. Tsang is also a director of Grand Field Resources.

During the year, the Group paid rent of HK$Nil (2010: HK$85,000) to 朱哲, who is the son of a former non-executive director of the Company.

32 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

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

(i) Operating lease commitments – Company as lessor

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

32 ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(a) Critical accounting judgements in applying the Group's accounting policies *(Continued)*

(ii) Classification between investment properties and properties held for sale

The Group develops properties held for sale and properties held to earn rentals and/or for capital appreciation. Judgement is made by the management on determining whether a property is designated as an investment property or a property held for sale. The Group considers its intention for holding the properties at the early development stage of the related properties. During the course of construction, the related properties under construction are accounted for as properties under development included in current assets if the properties are intended for sale after its completion, whereas the properties are accounted for as assets under construction included in non-current assets if the properties are intended to be held to earn rentals and/or for capital appreciation. Upon completion of the properties, the properties held for sale are transferred to completed properties held for sale and are stated at cost, while the properties held to earn rentals and/or for capital appreciation are transferred to investment properties and are subject to revaluation at each balance sheet date.

(b) Sources of estimation uncertainty

The key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities, are discussed below.

(i) Going concern basis

The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the Group's ability to generate sufficient working capital to meet its financial requirements. Details are set out in note 2(b) to the consolidated financial statements.

(ii) Income taxes

Significant judgment is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

32 ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Sources of estimation uncertainty *(Continued)*

(iii) Land Appreciation Taxes

The Group is subject to Land Appreciation Taxes in the PRC. However, the implementation and settlement of these taxes varies among the various tax jurisdictions in cities and regions of the PRC, and the Group has not finalised its Land Appreciation Tax calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of the land appreciation and its related taxes. The Group recognised these Land Appreciation Taxes based on management's best estimates according to their understanding of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the costs of sales and deferred income tax provisions in the periods in which such taxes have been finalised with local tax authorities.

(iv) 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 that 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.

(v) Fair value of investment properties

Investment properties are revalued at the balance sheet date on a market value, existing use basis by independent professionally qualified 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, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the balance sheet date are used.

32 ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(b) Sources of estimation uncertainty *(Continued)*

(vi) Depreciation

Depreciation of certain operating assets constitutes a substantial operating cost for the Group. The costs of property, plant and equipment are charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and salvage values to determine adjustments to estimates remaining useful lives and depreciation rates.

Actual economic lives may differ from estimates useful live. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

(vii) Net realisable value of properties under development and completed properties held for sale

The company assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses.

33 SUBSEQUENT EVENTS

Apart from as disclosed elsewhere in the consolidated financial statements, the following significant events took place subsequent to 31 December 2011.

The Group has entered into a loan agreement with Thrive Season Limited ("Thrive Season"), as lender, on 20 February 2012 for a loan facility of RMB41,000,000 (equivalent to HK$50,307,000). In order to obtain the facility, the Group entered into a share charge with Thrive Season on the same day for pledging the shares of Grand Field Group Limited, the Group's wholly owned subsidiary, to Thrive Season. The loan bears interest at 25% per annum and is repayable within 12 months from the draw down date.

(Expressed in Hong Kong dollars)

34 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Disclosures – *Offsetting financial assets and financial liabilities*	1 January 2013
Mandatory effective date of HKFRS 9 and transaction disclosures	1 January 2015
Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013

(Expressed in Hong Kong dollars)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011 *(Continued)*

	Effective for accounting periods beginning on or after
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements (2011)*	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013
HK(IFRIC) – Int 20, *Stripping Costs in the production phase of a surface mine*	1 January 2013

The Group is assessing the impact of these amendments and new standards and has so far concluded that they are not in a position to state whether their adoption will have a significant impact on the Group's results of operations and financial position.

36 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 19 April 2012.

Five Years Financial Summary

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the five years ended 31 December 2011.

CONSOLIDATED RESULTS

	Year ended 31 December,				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**5,618**	4,058	4,623	5,133	(6,387)
(Loss)/profit before income tax	**(8,917)**	(27,492)	(57,768)	(95,102)	(41,988)
Income tax credit/(expense)	**(4,067)**	2,346	849	3,447	(6,255)
(Loss)/profit for the year	**(12,984)**	(25,146)	(56,919)	(91,655)	(48,243)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December,				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**298,904**	289,959	313,951	408,887	439,098
Total liabilities	**(33,616)**	(26,663)	(31,930)	(69,947)	(45,547)
Net assets	**265,288**	263,296	282,021	338,940	393,551

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR DEVELOPMENT				
A parcel of land in Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	Planning stage	N/A
A parcel of land in Bai Guo Dong Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	Planning stage	N/A
A parcel of land in Cao Bu Xi Huan Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Residential and commercial	50%	Planning stage	N/A

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR SALE				
Various units in Rado Garden Phase II Zhenxing Road Zhangmutou Dongguan Guangdong Province The PRC	Residential	100%	N/A	N/A
Various units in Rado Garden Phase I Yonglong Street and Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	N/A	N/A
Various units in Elegance Garden Yongning Street and Guan-Hui Highway Zhang Luo Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential and commercial	100%	N/A	N/A
Various units in Riviera Garden Phase II Lijing Da Dao Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Residential	100%	N/A	N/A

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR SALE				
Various units in Tao Ran Ju Xu Jing Zhu Hi-Technology Park Bin Huan Di Road Nan Shan District Shenzhen Guangdong Province The PRC	Residential	100%	N/A	N/A
A unit in Telford Garden Phase I Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Commercial	100%	N/A	N/A
A unit in Telford Garden Phase II Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Residential	100%	N/A	N/A

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR INVESTMENT				
Various units in Elegance Garden Yongning Street and Guan-Hui Highway Zhang Luo Management District Zhangmutou Dongguan Guangdong Province The PRC	Commercial and residential	100%	N/A	N/A
Various units in Riviera Garden Phase I Lijing Da Dao Xu Zhen Management District Zhangmutou Dongguan Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units in Rado Garden Phase I Yonglong Street and Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Commercial and residential	100%	N/A	N/A

Particulars of Properties

Name/location	Type	Effective % held	Stage of completion	Anticipated completion
PROPERTIES HELD FOR INVESTMENT				
Various units in Rado Garden Phase II Zhengxing Road Zhangmutou Dongguan Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units in Telford Garden Phase I Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Commercial	100%	N/A	N/A
Various units and car parking spaces in Telford Garden Phase II Huanchengxi Road Buji Town Long Gang District Shenzhen Guangdong Province The PRC	Commercial	100%	N/A	N/A