爪哇集團
SEA Group

Stock Code 股份代號: 251

Building with the times 與時創建

ANNUAL REPORT 2011 年報

Directory

Directors

Executive Directors

Mr. Lu Wing Chi
(Chairman and Managing Director)
Mr. Lu Wing Yuk, Andrew
Mr. Lincoln Lu
Mr. Lambert Lu

Non-executive Director

Mr. Lam Sing Tai

Independent Non-executive Directors

Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim
Mr. Chung Pui Lam

Audit Committee

Mr. Leung Hok Lim *(Chairman)*
Mr. Walujo Santoso, Wally
Mr. Chung Pui Lam

Nomination Committee

Mr. Lu Wing Chi *(Chairman)*
Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim

Remuneration Committee

Mr. Chung Pui Lam *(Chairman)*
Mr. Lu Wing Chi
Mr. Lambert Lu
Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim

Authorised Representatives

Mr. Lambert Lu
Ms. Chan Yuk Ying

Company Secretary

Ms. Chan Yuk Ying

Legal Advisers

Stephenson Harwood
Mayer Brown JSM
Conyers Dill & Pearman

Independent Auditor

Deloitte Touche Tohmatsu

Principal Bankers

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

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business

26/F., Dah Sing Financial Centre
108 Gloucester Road
Wanchai, Hong Kong
Tel: (852) 2828 6363
Fax: (852) 2598 6861
E-mail: info@seagroup.com.hk

Branch Registrars in Hong Kong

Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong
Tel: (852) 2980 1333
Fax: (852) 2528 3158

Listing

The shares of the Company are listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited.

Stock Code and Board Lot

251/2,000

The shares of Asian Growth Properties Limited, a subsidiary of the Company, are admitted for trading on the AIM Market of London Stock Exchange plc.

Website

www.seagroup.com.hk

Contents

Financial Highlights

Five-Year Financial Summary

Results

	For the year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue	**701.3**	722.3	530.7	1,581.0	2,198.8
Profit for the year before non-controlling interests	**1,086.3**	864.0	1,334.5	41.1	1,212.6
Non-controlling interests	**(25.0)**	(22.8)	(35.4)	(46.7)	(150.2)
Profit for the year attributable to the Company's shareholders	**1,061.3**	841.2	1,299.1	(5.6)	1,062.4

Assets And Liabilities

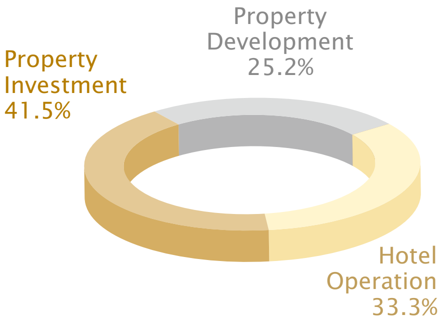
	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'m	HK$'m	HK$'m	HK$'m	HK$'m
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	**14,808.9**	13,473.2	12,447.3	10,674.9	11,000.1
Total liabilities	**(4,617.2)**	(4,423.6)	(4,271.7)	(3,754.6)	(4,084.4)
Non-controlling interests	**(302.0)**	(277.4)	(273.0)	(237.5)	(276.1)
Equity attributable to the Company's shareholders	**9,889.7**	8,772.3	7,902.6	6,682.8	6,639.6

Performance Data (Per Share)

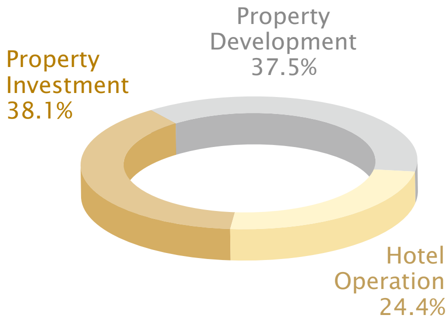
	2011	2010	2009	2008	2007
	HK$	HK$	HK$	HK$	HK$
		(Restated)	(Restated)	(Restated)	(Restated)
Basic earnings for profit attributable to the Company's shareholders	**1.58**	1.27	2.01	(0.01)	1.78
Basic earnings excluding fair value changes on properties net of deferred tax	**0.08**	0.01	0.06	0.52	0.46
Dividends declared	**0.11**	0.11	0.11	0.10	0.14
Net asset value attributable to the Company's shareholders	**14.78**	13.11	12.21	10.17	11.01

Financial Highlights

Segment Revenue for External Sales



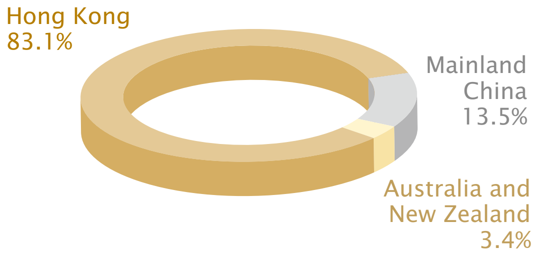
2011



2010

Revenue from External Customers by Geographical Location of Properties

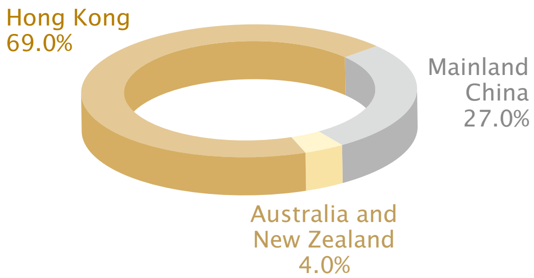
2011



2010

Property Assets by Geographical Segment

2011



2010

Property Portfolio

At 31 December 2011

Particulars of Investment Properties

Name	Location	Lease Expiry	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
HONG KONG					
Dah Sing Financial Centre	108 Gloucester Road, Wanchai	30 June 2047	Commercial/ Office	37,171 and 164 car parking spaces	97.2
MAINLAND CHINA					
Plaza Central	8 Shunchengda Street, Yanshikou, Chengdu, Sichuan Province	6 October 2063	Commercial/ Office	91,455 (including car parking floors)	97.2
Commercial podium in Zone B and car parking spaces on Basements 2 and 3, New Century Plaza	No. 6 Xi Yu Long Street, Qingyang District, Chengdu, Sichuan Province	18 May 2063	Commercial	19,261 (including car parking spaces)	97.2
Office Tower, Westmin Plaza Phase II	50 Zhong Shan 7th Road, Li Wan District, Guangzhou, Guangdong Province	23 May 2050	Office	16,112	97.2

Particulars of Properties Held for Sale

Name	Location	Stage of Completion	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
HONG KONG					
The Morrison	28 Yat Sin Street, Wanchai	Completed	Residential	243	97.2
The Forest Hills	99 Po Kong Village Road, Diamond Hill, Kowloon	Completed	Residential/ Commercial	2,699 and 16 private car parking spaces and 4 motorcycle spaces	97.2
MAINLAND CHINA					
Commercial podium, Westmin Plaza Phase II	48-58 Zhong Shan 7th Road, Li Wan District, Guangzhou, Guangdong Province	Completed	Commercial	45,984 (including car parking floors)	97.2
NEW ZEALAND					
Kaikainui Block	Harewood, Christchurch	Completed	Residential	1,791	34.1
Clearwater Resort	Harewood, Christchurch	Completed	Commercial	5,410	34.1

Property Portfolio

At 31 December 2011

Particulars of Hotel Building

Name	Location	Lease Expiry	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
HONG KONG					
Crowne Plaza Hong Kong Causeway Bay	8 Leighton Road, Causeway Bay	6 November 2049	Hotel	14,945	97.2

Particulars of Development Properties/Properties under Development

Name of Project	Location	Stage of Completion	Estimated Completion Date	Usage	Approximate Site Area (square metres)	Group's Interest (%)
HONG KONG						
Sha Tin Town Lot No. 75 and the Remaining Portion of Lot No. 744	1-11 Au Pui Wan Street, Fo Tan, Sha Tin, New Territories	Planning stage	Beyond 2015	Residential/ Commercial	20,092	97.2
MAINLAND CHINA						
Huangshan Project	Qiankou Town, Huizhou District, Huangshan City, Anhui Province	Planning stage	Phase I - Beyond 2014	Tourist leisure facilities	333,500	97.2
Nova City	South lateral of Zheng Kai Da Road, Kaifeng, Henan Province	Planning stage	Phase I - 2014	Residential/ Commercial	735,000	97.2
Longquan Project	Longquanyi District, Chengdu, Sichuan Province	Planning stage	Phase I - 2014	Residential/ Commercial	506,000	97.2
NEW ZEALAND						
Clearwater Resort	Harewood, Christchurch	Planning stage	Beyond 2013	Residential	210,653	34.1
Timperley Block	Harewood, Christchurch	Planning stage	Beyond 2013	Residential	356,505	55.0

Location of the Group's Properties/Projects

IN MAINLAND CHINA

1. Plaza Central, Sichuan Province
2. New Century Plaza, Sichuan Province
3. Longquan Project, Sichuan Province
4. Nova City, Kaifeng, Henan Province
5. Huangshan Project, Anhui Province
6. Nanjing Project, Jiangsu Province
7. Westmin Plaza Phase II, Guangdong Province

IN HONG KONG

- A Dah Sing Financial Centre
- B Crowne Plaza Hong Kong Causeway Bay
- C Fo Tan Project
- D The Morrison
- E The Forest Hills

Financial Calendar

Results Announcements

2011 Annual results announcement	30 March 2012 (Friday)
2012 Interim results announcement	on or before 31 August 2012 (Friday)

Book Close Dates

For ascertaining shareholders' entitlement to attend and vote at 2012 Annual General Meeting ("AGM")

Latest time to lodge transfer documents	4:30 p.m. on 28 May 2012 (Monday)
Closure of register of members	29 May 2012 (Tuesday) to 31 May 2012 (Thursday) (both days inclusive)
Record date	31 May 2012 (Thursday)

For ascertaining shareholders' entitlement to the proposed final dividend

Latest time to lodge transfer documents	4:30 p.m. on 6 June 2012 (Wednesday)
Closure of register of members	7 June 2012 (Thursday) to 11 June 2012 (Monday) (both days inclusive)
Record date	11 June 2012 (Monday)

Annual General Meeting

2012 AGM	31 May 2012 (Thursday)

Final Dividend

Ex-dividend date for 2011 final dividend	5 June 2012 (Tuesday)
Payment of 2011 final dividend (subject to shareholders' approval at the 2012 AGM)	18 June 2012 (Monday)

Directors' Biographical Information

LU WING CHI

Executive Director

Mr. Lu, aged 65, joined the Group in 1969 and is the Chairman and Managing Director of the Company, the chairman of the Nomination Committee and a member of both the Executive Committee and Remuneration Committee of the Company. He is also an executive director of Asian Growth Properties Limited ("AGP"), a subsidiary of the Company listed in London and a director of various members of the Group. In addition, he is a director of Nan Luen International Limited (the Company's controlling shareholder) and JCS Limited (the former's immediate holding company). He has over 40 years of experience in property development and investment in Hong Kong and overseas as well as godown and factory operations. To date, Mr. Lu continues to steer and chart the Group's development direction and strategies.

Mr. Lu is the son of Mr. Lu Chu Mang, the founder of the Group, and the father of Mr. Lincoln Lu and Mr. Lambert Lu, both Executive Directors of the Company and a cousin of Mr. Lu Wing Yuk, Andrew, Executive Director of the Company. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years.

LU WING YUK

Executive Director

Mr. Lu, aged 65, has acted as an Executive Director of the Company since 1989. He is a member of the Executive Committee of the Company and a director of Chengdu Huashang House Development Co., Ltd., a principal subsidiary of the Company. He is the managing director of Kian Nan Trading Company Limited and has over 40 years of experience in the textile industry and international trading.

Mr. Lu is a cousin of Mr. Lu Wing Chi, the Chairman and Managing Director of the Company and an uncle of Mr. Lincoln Lu and Mr. Lambert Lu, both Executive Directors of the Company. He did not hold any directorship in other listed public companies in the last three years.

Directors' Biographical Information

LINCOLN LU

Executive Director

Mr. Lu, aged 37, joined the Group in 1998 and was appointed as an Executive Director of the Company in December 2003. He is a member of the Executive Committee of the Company and a director of various members of the Group. In addition, he is a director of Nan Luen International Limited (the Company's controlling shareholder) and JCS Limited (the former's immediate holding company). Mr. Lu is primarily responsible for the Group's hotel and project management operations and is a member of the Sichuan Committee of Chinese People's Political Consultative Conference. He holds a Bachelor of Arts degree from the University of British Columbia in Canada.

Mr. Lu is a son of Mr. Lu Wing Chi, the Chairman and Managing Director of the Company, the elder brother of Mr. Lambert Lu, Executive Director of the Company and a nephew of Mr. Lu Wing Yuk, Andrew, Executive Director of the Company. He did not hold any directorship in other listed public companies in the last three years.

LAMBERT LU

Executive Director

Mr. Lu, aged 35, joined the Group in 1999 and was appointed as an Executive Director of the Company in December 2003. He is a member of both the Executive Committee and Remuneration Committee of the Company. Mr. Lu is an executive director of AGP, a subsidiary of the Company listed in London and a director of various other members of the Group. In addition, he is a director of Nan Luen International Limited (the Company's controlling shareholder) and JCS Limited (the former's immediate holding company). Mr. Lu is a General Committee member of The Chamber of Hong Kong Listed Companies. He holds a Bachelor's degree in Statistics and Economics from the University of British Columbia in Canada. He furthered his postgraduate business studies at the Tsinghua School of Economics and Management, Tsinghua University in China.

Mr. Lu is a son of Mr. Lu Wing Chi, the Chairman and Managing Director of the Company, the brother of Mr. Lincoln Lu, Executive Director of the Company and a nephew of Mr. Lu Wing Yuk, Andrew, Executive Director of the Company. Save as disclosed above, he did not hold any directorship in other listed public companies in the last three years.

Directors' Biographical Information

LAM SING TAI

Non-Executive Director

Mr. Lam, aged 65, joined the Group in 1973 and was appointed as a Non-executive Director of the Company in April 2006. He has over 35 years of solid experience in property development and investment. He is currently the General Manager of South-East Asia Investment And Agency Company, Limited, a principal wholly-owned subsidiary of the Company and a director of various members of the Group. Mr. Lam is primarily responsible for the sales and marketing matters of the Group's properties in Hong Kong and Mainland China.

Mr. Lam did not hold any directorship in other listed public companies in the last three years.

WALUJO SANTOSO, WALLY

Independent Non-Executive Director

Mr. Santoso, aged 58, has acted as an Independent Non-executive Director of the Company since December 1994 and is a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He is also the managing director of Grand Ocean (International) Limited and has over 35 years of experience in international trading and manufacturing. Mr. Santoso also holds a Diploma in Accounting.

Mr. Santoso did not hold any directorship in other listed public companies in the last three years.

Directors' Biographical Information

LEUNG HOK LIM *FCPA(Aust.), CPA(Macau), FCPA(Practising)*

Independent Non-Executive Director

Mr. Leung, aged 76, has acted as an Independent Non-executive Director of the Company since February 1999 and is the chairman of the Audit Committee and a member of both the Nomination Committee and Remuneration Committee of the Company.

Mr. Leung is the founding and senior partner of PKF, Accountants and Business Advisers. Mr. Leung is a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited, and the independent non-executive director of a number of listed companies, namely Fujian Holdings Limited, High Fashion International Limited, Phoenix Satellite Television Holdings Limited, Yangtzekiang Garment Limited and YGM Trading Limited.

CHUNG PUI LAM *SBS, OBE, JP*

Independent Non-Executive Director

Mr. Chung, aged 71, has acted as an Independent Non-executive Director of the Company since September 2004 and is a practicing solicitor in Hong Kong. He is the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He is also a non-executive director of Chow Sang Sang Holdings International Limited and an independent non-executive director of Datronix Holdings Limited, both are listed companies in Hong Kong. In addition, Mr. Chung is serving as members on several advisory committees of the Government of the Hong Kong Special Administrative Region.

Chairman's Statement

I am pleased to present the consolidated financial results of S E A Holdings Limited (the "Company", together with its subsidiaries, the "Group") for the year 2011 to the shareholders of the Company.

Financial Summary

Turnover for the year ended 31 December 2011 amounted to HK$701.3 million (2010: HK$722.3 million). The turnover was principally attributable to the recognition of rental income from investment properties, revenue from hotel operation and the sales of properties in New Zealand.

Profit attributable to the Company's shareholders for the year amounted to HK$1,061.3 million (2010 (restated): HK$841.2 million), equivalent to a basic earnings per share of HK158.4 cents (2010 (restated): HK127.1 cents). The reported profit included a revaluation surplus on investment properties net of deferred taxation of HK$1,038.6 million (2010 (restated): HK$858.8 million). By excluding the effect of such surplus, the Group's net profit attributable to the Company's shareholders was HK$53.6 million (2010: HK$8.1 million), equivalent to HK8 cents (2010: HK1.2 cents) per share.

As at 31 December 2011, the Group's equity attributable to the Company's shareholders amounted to HK$9,889.7 million (31 December 2010 (restated): HK$8,772.3 million). The net asset value per share attributable to the Company's shareholders as at 31 December 2011 was HK$14.78 as compared with HK$13.11 (restated) as at 31 December 2010.

The Group's property assets by geographical location at the year-end were as follows:

	31 December 2011 HK$' million	31 December 2010 HK$' million
Hong Kong	**7,814.0**	6,994.3
Mainland China	**3,531.1**	2,735.9
Australia and New Zealand	**270.8**	401.8
Total	**11,615.9**	10,132.0

■ *Dah Sing Financial Centre*


■ *Crowne Plaza Hong Kong Causeway Bay*

Chairman's Statement

Dividend

The board of directors of the Company (the "Board") has resolved to recommend for shareholders' approval at the forthcoming 2012 AGM the payment of a final dividend of HK6 cents (2010: HK6 cents) per share for the year ended 31 December 2011 to the shareholders of the Company whose names appear on the register of members of the Company at the close of business on Monday, 11 June 2012. The relevant dividend warrants are expected to be despatched on or before Monday, 18 June 2012.

Together with the interim dividend of HK5 cents per share already paid (2010: HK5 cents), the total dividend for the year will be HK11 cents per share (2010: HK11 cents).

Business Review

Property Investment and Development

The Group continues in focusing on the development and investment projects in Hong Kong and Mainland China. It is the Group's approach to review the project portfolios from time to time and the Group has entered into an agreement to dispose its entire interest in the 50%-owned Leiyang project to the joint venture partner in March 2012. The Group's core projects located in Hong Kong and Mainland China are listed below.

Hong Kong

The office leasing market was strong during the year. The rental income generated from Dah Sing Financial Centre, a 39-storey commercial building, has been stable and satisfactory and its occupancy rate remains at a high level of approximately 99% as at 31 December 2011.

During the year, the Group continued to sell the remaining units of the developed properties. The sale of the remaining residential units and residents' car parking spaces of The Forest Hills and residential units (which are presently leased) of The Morrison are continuing.

▪ *Fo Tan Project (prospective view)*

▪ *Plaza Central*

Chairman's Statement

The proposed development project at Fo Tan envisages, among other facilities, residential units, car parks, educational facilities and a bus terminus. This project has a site area of approximately 20,092 square metres and the revised general building plan was approved by Buildings Department in October 2011. The tenancy of the existing warehouse on the site was terminated at the end of December 2011 and demolition work is targeted to commence this year.

Mainland China

Chengdu, Sichuan Province

During the year, the occupancy rate for the two 30-storey office towers of Plaza Central improved substantially and its retail podium with a gross floor area of about 29,000 square metres has been fully let principally to Chengdu New World Department Store on a long-term lease. As at 31 December 2011, the aggregate occupancy rate for the two office towers and the retail podium was approximately 89%. Leasing activities for the remaining areas of Plaza Central continue.

The shopping arcade of New Century Plaza with a gross floor area of about 16,300 square metres has been fully let to a furniture retailer on a medium-term lease.

The Group has acquired three pieces of land in Longquanyi District with a total site area of about 506,000 square metres in 2010 and 2011. The Group is now preparing the master layout plan and targets to submit to the local government this year. Preliminary site works of the project will be completed and site formation works for Phase I are being planned to commence this year.

Kaifeng, Henan Province

The project in Kaifeng, to be known as "Nova City", has a site area of 735,000 square metres and it is proposed to be developed into an integrated complex in Zheng-Kai District, a new town in Kaifeng. The proposed development has a gross floor area of approximately 3,000,000 square metres envisages shopping mall, premium offices, exhibition hall, hotel, serviced apartments and residential towers. Master layout plans are being revised to incorporate latest government's comments for re-submission. Preliminary site works will be completed while construction works of Phase I of the project are planned to start this year.

New Century Plaza

Nova City (prospective view)

Chairman's Statement

Guangzhou, Guangdong Province

The Group still retains the ownership of the 14-storey office tower and the 3-storey shopping arcade of Westmin Plaza Phase II. As at 31 December 2011, the occupancy rate of the office tower of about 16,100 square metres was approximately 96% with more than one-third of the total office space being leased to AIA. Leasing activities for the shopping arcade with a total gross floor area of about 26,400 square metres are in progress.

Huangshan, Anhui Province

The project in Huangshan has a site area of about 333,500 square metres comprising about 66,700 square metres of land owned by the Group and about 266,800 square metres of land leased from the local authority. An overall development plan for a hotel, serviced apartments and resort villas in the integrated resort site has been prepared and conceptual design has been completed.

Chi Shan, Nanjing, Jiangsu Province

The Group has established two 51%-owned joint venture companies to participate in the tenant relocation arrangements and excavation and infrastructure works on certain pieces of lands in Chi Shan. The Group intended to acquire such lands through land auctions and has submitted master layout plans for these lands for the government's assessment.

Australia and New Zealand

Turnover generated from the property investment and development projects in Australia and New Zealand for the year ended 31 December 2011 was HK$139.5 million (2010: HK$24.3 million). During the year, the Group has made a provision for diminution in value of HK$14.3 million (2010: HK$24.4 million) for certain properties in New Zealand. After taking into account the above provision, a net loss attributable to the Company's shareholders of approximately HK$16.3 million (2010: HK$29.3 million) was incurred. During the year, the Group had disposed part of Kaikainui Block, Favona Land and whole of Man Street Carpark in New Zealand. The strategy to sell the existing properties in Australia and New Zealand at reasonable prices remains unchanged.

▪ *Westmin Plaza*

▪ *Huangshan Project (prospective view)*

Chairman's Statement

Hotel Operation

Crowne Plaza Hong Kong Causeway Bay is a 29-storey five-star hotel comprising 263 guest rooms with ancillary facilities and is presently managed by the InterContinental Hotels Group. It has achieved satisfactory occupancy and room rates for the year under review. In September 2011, the hotel won "Luxury City Hotel" Award 2011 conferred by World Luxury Hotel Awards.

Financial Resources and Liquidity

Working Capital and Loan Facilities

As at 31 December 2011, the Group's total cash balance was HK$2,486.5 million (2010: HK$2,619.7 million) and unutilised facilities were HK$750 million (2010: HK$1,010.4 million).

Gearing ratio as at 31 December 2011, calculated on the basis of net interest bearing debt minus cash and restricted and pledged deposits as a percentage of total property assets, was 9.4% (2010: 7.9%).

As at 31 December 2011, maturity of the Group's outstanding borrowings was as follows:

	31 December 2011 HK$' million	31 December 2010 HK$' million
Due		
Within 1 year	**1,055.2**	1,649.6
1-2 years	**116.4**	505.9
3-5 years	**2,081.3**	742.7
Over 5 years	**349.3**	528.8
	3,602.2	3,427.0
Less: Front-end fee	**(18.8)**	10.0
	3,583.4	3,417.0

■ *Longquan Project*

Pledge of Assets

For the Company's subsidiaries operating in Hong Kong and Mainland China, the total bank loans drawn as at 31 December 2011 amounted to HK$3,422.3 million (2010: HK$3,108.1 million), which comprised of secured bank loans of HK$3,162.3 million (2010: HK$2,828.1 million) and unsecured bank loans of HK$260.0 million (2010: HK$280.0 million). The secured bank loans were secured by properties valued at HK$9,103.9 million (2010: HK$8,339.7 million) and fixed deposits of HK$0.8 million (2010: HK$264.1 million).

Certain subsidiaries of the Company operating in New Zealand and Australia pledged their properties with an aggregate carrying value of HK$270.9 million as at 31 December 2011 (2010: HK$400.3 million) to secure bank loans of HK$161.1 million (2010: HK$308.9 million).

Treasury Policies

The Group adheres to prudent treasury policies. As at 31 December 2011, all of the Group's borrowings were raised through its wholly-owned or substantially controlled subsidiaries on a non-recourse basis.

Staff and Emolument Policy

As at 31 December 2011, the Group had a total of 393 employees (2010: 352 employees) in Hong Kong, Mainland China and New Zealand. Employee costs, including the emoluments of the directors of the Group, amounted to HK$169.2 million (2010: HK$146.2 million).

The Group maintains a good working relationship with its employees and continues to recruit, retain and develop competent individuals committed for its long-term success and growth. Salary and benefits of employees are reviewed at least annually both in response to market conditions and trends, and in conjunction with individual appraisals based on qualifications, experience, skills, responsibilities, performance and development potentials. Discretionary bonuses are granted in line with the Group's financial results and employees' performance. Fringe benefits including medical insurance scheme, study and training allowances, examination leave and voluntary employer contributions to retirement schemes are offered to employees. In addition, to retain and motivate management staff and good performers, the Company has adopted an employee share option scheme and a share award scheme with options to subscribe for shares in the Company and awards of shares being granted by the Board to the Group's employees (including directors of the Company) on a discretionary basis. To further enhance employee relations and communications, recreational activities for general staff with senior management's participation are arranged.

Outlook

The global economy will remain complicated in the year ahead. Although the US has had some signals of recovery, the eurozone debt crisis, recession worries and downgrading of the credit rating of some European countries remain the market concerns. As unemployment remains high in major developed economies, the road to a global economic recovery is arduous.

The Mainland China's economy grew by 9.2 per cent last year. However, the Premier has cut the economic growth target this year to an eight-year low of 7.5 per cent which will enable the Central Government to face myriad challenges in the external environment. By lowering the growth target and coupled with its fiscal policy, it is expected that the Mainland China can sustain its continuing economic growth in the long run. As leadership transition among the top ranks of the party and government is scheduled in this year, it is expected that there will not be any significant changes in its macroeconomic policies. Tough regulatory measures on home purchases and relatively tight monetary supply will likely continue.

Chairman's Statement

The liquidity in banking system has been tightened since the fourth quarter of 2011 which has led to financing activities becoming more difficult and costs of borrowing are much higher than last year. As most of the development projects of the Group are at development stage, the Group is exploring different types of long term funding to finance these projects and will manage its gearing policy carefully under the current uncertain financial market.

Hong Kong's economy is likely to show modest growth supported by robust visitor spending and healthy domestic consumption. The Group's income generating assets in Hong Kong and Mainland China continue to do well. Our prime asset, Dah Sing Financial Centre, is benefiting from the demand of office building in surrounding central business area and is almost fully let with good quality tenants. Due to the proximity to core shopping area in Causeway Bay and shortage of hotel rooms supply, Crowne Plaza Hong Kong Causeway Bay continues to grow its income.

Demolition work of the Fo Tan project has been started and foundation work will commence this year. The development projects in Chengdu and Kaifeng, Mainland China are still at the preliminary stage and further capital injection will be required. The Group is still in a good financial position but will take a cautious and prudent approach in managing the Group's property portfolios.

Lu Wing Chi
Chairman and Managing Director

Hong Kong, 30 March 2012

Corporate Governance Report

The Company recognises the importance of good corporate governance to the Company's development and has devoted considerable efforts to identifying, formulating, establishing and enhancing corporate governance practices appropriate to the Company's needs. The Board, having regard to the size and nature of businesses of the Group, periodically reviews the Company's corporate governance practices to meet the rising expectations of shareholders and comply with increasingly stringent regulatory requirements.

Corporate Governance Practices

Throughout the year ended 31 December 2011, the Company has applied the principles and complied with all the code provisions and adopted certain recommended best practices set out in the Code on Corporate Governance Practices (the "CGP Code"), which will be renamed as Corporate Governance Code on 1 April 2012, contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") except for the following deviations:-

- *Code provision A.2.1 which states that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.* The Company does not propose to comply with this code provision for the time being. The Chairman who is holding the office of Managing Director of the Company currently oversees the management and the Group's business. The Board considers that the present management structure has been effective in facilitating the operation and development of the Group for a considerably long period and has withstood the test of time and that no benefit will be derived from changing it. The current structure allows flexibility and enhances the efficiency of decision-making process in response to the constantly changing environment while the market sentiment may vary quite significantly in different areas of the Asia Pacific region in which the Group operates. In addition, the Board believes that a balance of power and authority is adequately ensured by the operations of the Board which comprises conscientious, experienced and high calibre individuals including three Independent Non-executive Directors.

- *Code provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term.* Each of the existing Non-executive Directors (including the Independent Non-executive Directors) of the Company does not have a specific term of appointment but is subject to retirement by rotation and re-election at the annual general meetings pursuant to the Bye-laws of the Company. The Bye-laws require that every director will retire from office no later than the third annual general meeting of the Company after he was last elected or re-elected. In addition, any person appointed by the Board to fill a casual vacancy or as an additional director (including Non-executive Director) will hold office only until the next general meeting and will then be eligible for re-election. As such, the Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provision and therefore does not intend to take any remedial steps in this regard.

However, the Board will continually review and recommend such proposals as appropriate in the circumstances of such deviations.

Corporate Governance Report

Board of Directors

Composition

The directors of the Company who served the Board during the year under review and up to the date of this report are named as follows:

Executive Directors

Mr. Lu Wing Chi *(Chairman and Managing Director)*
Mr. Lu Wing Yuk, Andrew
Mr. Lincoln Lu
Mr. Lambert Lu

Non-executive Director

Mr. Lam Sing Tai

Independent Non-executive Directors ("INEDs")

Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim
Mr. Chung Pui Lam

The brief biographical particulars of the existing directors are set out in the "Directors' Biographical Information" on pages 8 to 11. Further particulars of same are contained in the relevant sections of the Directors' Report on pages 30 to 42.

Role and Function

The Company is governed by the Board and the directors are accountable to the shareholders for the activities and performance of the Group. To oversee the Group's business and development, the Board has reserved for its decision and consideration the following matters:

(i) adoption and overall oversight of objectives and strategic plans;

(ii) amendment to memorandum of association and bye-laws as well as alteration of share capital;

(iii) approval of interim dividends and other distribution and recommendation of final dividends for shareholders' approval;

(iv) establishment of board committees and delegation of powers of the Board to same;

(v) appointment, re-appointment, re-designation and removal of board members;

(vi) approval of significant accounting policies and practices;

(vii) oversight of corporate governance and internal controls; and

(viii) other significant matters.

Matters other than the above mentioned have been delegated by the Board to the management and the major ones are execution of the Board's decisions (including business strategies and initiatives it has adopted) and daily operations, preparation of annual and interim financial statements for the Board's approval before public reporting, implementation of adequate systems of internal control and risk management procedures as well as compliance with relevant requirements, rules and regulations.

Corporate Governance Report

Retirement and Re-election of Directors

In accordance with the Company's Bye-laws, every director shall retire from office no later than the third annual general meeting after he was last elected or re-elected. Further, any director appointed by the Board as an additional board member or to fill a casual vacancy shall hold office only until the next general meeting of the Company and shall then be eligible for re-election. Those directors subject to retirement and re-election at the forthcoming 2012 AGM are Messrs. Lincoln Lu, Lam Sing Tai and Walujo Santoso, Wally (the "Retiring Directors") whose particulars are set out on pages 9 and 10 of this annual report and a circular dated 27 April 2012.

Mr. Santoso has served the Company as INED for more than 17 years, after assessing his independence and the Retiring Directors' business/management experience, qualifications, knowledge, skills as well as duties and responsibilities in the Group, the Board has resolved that separate resolution will be proposed for re-election of each of the Retiring Directors at the 2012 AGM for shareholders' approval.

Meetings

The Board conducts meetings on a regular basis with at least 14 days' notice and on an ad hoc basis with reasonable notice that are required for significant and important issues. Before each board and committee meetings, relevant agendas and documents with appropriate information are sent to directors who are consulted for including matters in the agendas. The Board held four regular Board meetings during the year to, amongst other matters, approve the 2010 final results and 2011 interim results respectively and consider financial and operating performances. All businesses transacted at the Board meetings are well-documented and the records are maintained properly. The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group's latest developments.

Relationship

Of the directors, Mr. Lu Wing Chi is the father of Messrs. Lincoln Lu and Lambert Lu and a cousin of Mr. Lu Wing Yuk, Andrew who is an uncle of Messrs. Lincoln Lu and Lambert Lu. Other than these, there is no financial, business, family and other material relationship among other members of the Board.

Notwithstanding the above relationships, there has been an effective and balanced board collectively responsible for the Company's activities and affairs. Throughout the year ended 31 December 2011, half of the Board members were executive directors and the other half were non-executive directors (including INEDs) whose views carry significant weight in the Board's decisions. The Board members have been free to discuss issues properly put to the Board meetings and express their views and concerns. No individual or small group can dominate the Board's decision-making process.

Enhancement and Insurance

Directors are provided with timely updates on changes in laws and compliance issues relevant to the Group.

To further enhance the directors' consciousness of the importance of directors' duty under common law and comply with the requirement of the Companies Ordinance (Chapter 32, Laws of Hong Kong), a booklet "A Guide on Directors' Duties" issued by the Hong Kong Companies Registry which contains the general principles that a director should follow in the performance of his functions and exercise of his powers was distributed in mid 2009 to each of them and other directors of the Group's member companies incorporated or registered under the said Ordinance.

The Company also encourages its directors to enroll in relevant professional development courses to continually update and further improve their relevant knowledge and skills. The Company has also arranged for appropriate liability insurance for the directors for indemnifying their liabilities arising out of corporate activities.

Non-executive Directors

The non-executive directors (including INEDs) of the Company are subject to retirement by rotation at least once every three years. They have brought independent judgement and provided the Group with invaluable guidance and advice on the Group's development.

INEDs

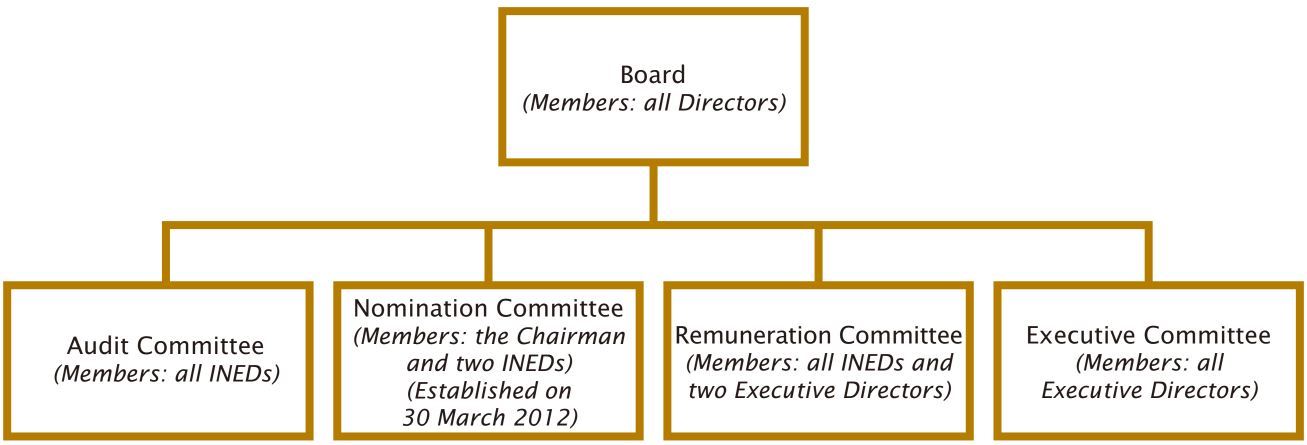
The Board consists of a total of eight directors, comprising four executive directors, one non-executive director and three INEDs. More than one-third of the Board are INEDs of which at least an INED possessing appropriate professional qualifications, or accounting or related financial management expertise.

The three INEDs come from diverse business and professional backgrounds in the fields of international trading, accounting and laws, rendering valuable expertise and experience to promote the best interests of the Company and its shareholders as a whole and ensuring that issues are considered in an independent and a more objective manner. All of them serve on the Audit and Remuneration Committees and two of them serve on the Nomination Committee of the Company.

The Company has received from each of the INEDs an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules and considers all of the INEDs are independent since their appointment.

Delegation — Board Committees

The Board has properly delegated its powers and established several Board Committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Executive Committee, with specific written terms of reference that deal clearly with their authority and duties, to oversee particular aspects of the Company's affairs and assist in the execution of the Board's responsibilities.



Audit Committee

Composition

The Audit Committee was established in 1999. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx"). The Audit Committee currently comprises of three members and all of them are INEDs, namely:

Mr. Leung Hok Lim *(Chairman)*
Mr. Walujo Santoso, Wally
Mr. Chung Pui Lam

Role and Function

The primary duties of the Audit Committee are to ensure the objectivity and credibility of financial reporting and the effectiveness of the audit process in accordance with applicable standards as well as to maintain an appropriate relationship with the independent external auditor of the Company.

During the year ended 31 December 2011, the Audit Committee met twice with the representatives of the management and the independent auditor of the Company to discuss the auditing and financial reporting matters. During the meetings, the Audit Committee in particular reviewed and discussed about:

(i) the accounting principles and policies adopted by the Group;

(ii) the annual results (including the announcement thereof) and the audited financial statements for the year ended 31 December 2010;

(iii) the interim results (including the announcement thereof) and the financial statements for the six months ended 30 June 2011;

(iv) any significant findings by the independent auditor during the financial audit and other audit issues;

(v) the letters of management representations issued to the independent auditor in connection with the audit or review of the Group's relevant financial statements; and

(vi) the system of internal control including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

It also recommended to the Board for approval the re-appointment of the independent auditor and reviewed the relevant audit fees. The terms and conditions (which include the nature and scope as well as the fees of the audit/review) of the engagement letters of the independent auditor for the audit of the Group's financial statements for the year ended 31 December 2011 had been considered and approved by the Audit Committee.

On 23 March 2012, the Audit Committee reviewed with representatives of the management and the independent auditor of the Company the audited consolidated financial statements of the Company for the year ended 31 December 2011 and was of the opinion that such statements had been prepared in compliance with applicable financial reporting standards and requirements and adequate disclosure had been made.

Remuneration Committee

Composition

The Remuneration Committee was established in 2005. It has clear terms of reference and is accountable to the Board. Its terms of reference can be found in the websites of the Company and HKEx. The Remuneration Committee currently comprises of five members including the Chairman of the Board, one executive director and three INEDs. Members of the Remuneration Committee are named as follows:

Mr. Chung Pui Lam *(Chairman)*
Mr. Lu Wing Chi
Mr. Lambert Lu
Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim

Role and Function

The Remuneration Committee is responsible for, amongst other matters, establishing a formal and transparent procedure for developing remuneration policies and overseeing the remuneration packages for the executive and non-executive directors and ensuring that no director will be involved in deciding his own remuneration. In determining the directors' emoluments, the Remuneration Committee takes into consideration factors such as the qualifications, experience, time commitment, responsibilities, performance, contribution and remuneration of the directors for previous years, the Company's profitability, emoluments paid by comparable companies and employment conditions elsewhere in the Group.

At the 2005 AGM, the shareholders of the Company has passed an ordinary resolution to authorise the directors to fix the directors' fees for an aggregate amount not exceeding HK$1.0 million per annum. During the year, the Remuneration Committee met once and assessed the performance of the executive directors and reviewed and/or approved the remuneration package of the executive and non-executive directors for the year ended 31 December 2011. In early March 2012, the Remuneration Committee held a meeting to review and determine the executive directors' salary for the year ending 31 December 2012 and their bonus for the year ended 31 December 2011 in line with the Company's profitability and recommended to the Board for approval the remuneration of the non-executive directors (including INEDs) for the current year.

The directors' remuneration for the year ended 31 December 2011 is set out in note 14 to the consolidated financial statements.

Corporate Governance Report

Executive Committee

Composition

The Executive Committee was set up in 1990 and is currently comprised of the Chairman of the Board and all other executive directors. The Executive Committee members are named as follows:

Mr. Lu Wing Chi *(Chairman and Managing Director)*
Mr. Lu Wing Yuk, Andrew
Mr. Lincoln Lu
Mr. Lambert Lu

Role and Function

The Executive Committee is primarily responsible for supervising and undertaking the day-to-day operations of the Group. It exercises leadership and develops and keeps under review business development initiatives of the Group and monitors their implementation. The Executive Committee meets as and when necessary.

Nomination of Directors

The Company has a formal and transparent procedure for appointment of new directors and the Board meets to discuss nomination of directors when circumstances required. Upon receipt of a nomination from members of the Board, a board meeting is convened to consider and discuss the nominated candidate(s) for the directorship. Criteria adopted by the Board in considering the suitability of a candidate for directorship includes his/her qualifications, experience, expertise and knowledge as well as the requirements under the Listing Rules. No new director was appointed during the year 2011.

A Nomination Committee of the Company has been established on 30 March 2012 and responsible for nomination, appointment and re-election of directors. The Nomination Committee comprises of three members including the Chairman of the Board and two INEDs, namely:

Mr. Lu Wing Chi *(Chairman)*
Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim

The principal role of the Nomination Committee includes, inter alia, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board; making recommendations on any proposed changes to the Board; assessing the independence of INEDs; and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors. The terms of reference of the Nomination Committee can be found in the websites of the Company and HKEx.

Attendance Record at Meetings

The attendance record of each director at Board meetings, Audit Committee meetings and Remuneration Committee meeting during the year are set out in the following table:

	Number of meetings attended/ Number of meetings held		
Directors	Board	Audit Committee	Remuneration Committee
Executive Directors			
Mr. Lu Wing Chi *(Chairman and Managing Director)*	4/4	—	1/1
Mr. Lu Wing Yuk, Andrew	4/4	—	—
Mr. Lincoln Lu	4/4	—	—
Mr. Lambert Lu	4/4	—	1/1
Non-executive Director			
Mr. Lam Sing Tai	4/4	—	—
INEDS			
Mr. Walujo Santoso, Wally	3/4	1/2	1/1
Mr. Leung Hok Lim	4/4	2/2	1/1
Mr. Chung Pui Lam	4/4	2/2	1/1

Securities Transactions by Directors and Employees

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company.

All the directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard as set out in the Model Code throughout the year ended 31 December 2011 except that Mr. Walujo Santoso, Wally, an INED of the Company, has disposed 656,928 shares of the Company on 15 July 2011 without first notifying in writing the designated director of the Board as pursuant to Rule B.8 of the Model Code.

Directors' interests in shares and underlying shares in the Company are contained in the Directors' Report on pages 34, 35 and 38.

The Company has also adopted a code with no less exacting terms than the Model Code for the directors and employees of the Group (other than the directors of the Company) (the "Relevant Employees") to regulate their dealings in the listed shares of the Company and AGP, a subsidiary of the Company as the Relevant Employees are likely to be in possession of unpublished price-sensitive information in relation to such shares because of their office or employment.

Corporate Governance Report

Directors' Responsibility for Preparing Financial Statements

The directors acknowledge their responsibilities for preparing the financial statements of the Group which give a true and fair view of the state of the Group's affairs and of its results. Their responsibilities have also been stated in the "Independent Auditor's Report" on pages 43 and 44. In doing so, the directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the Accounting and Finance Department, the directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards.

In addition, the directors ensure timely publication of the financial statements of the Group.

Independent Auditor's Reporting Responsibility

The statement of Messrs. Deloitte Touche Tohmatsu ("DTT"), Certified Public Accountants, the independent auditor of the Company, about their reporting responsibility on the financial statements of the Group is set out in the "Independent Auditor's Report" on pages 43 and 44. Representatives of DTT also attend the AGMs to answer questions which shareholders may have.

Going Concern

The directors confirm that, to the best of their knowledge, information and belief and having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Internal Control

The Board has overall responsibility for the Group's system of internal control and the assessment and management of risks. The Group has implemented an effective internal control system which includes a defined management structure with clear lines of responsibility and limits of authority, proper procedures for income and expenditure, monthly review by the executive directors of operational and financial reports provided by the management, regular business meetings between the executive directors and the core management team and periodic review of the Group's financial results by the Board.

The Board and the Audit Committee continue to review the effectiveness and adequacy of the Group's system of internal control which includes financial, operational and compliance mechanisms and risk management functions in order to identify, evaluate and manage risks and take appropriate measures to avoid or mitigate those risks that could adversely impact the Group's business activities. The review process consists of, amongst other matters, assessment and implementation of material control issues identified by independent external auditor during statutory audit.

The Board and the Audit Committee make endeavours to review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

Corporate Governance Report

Independent Auditor's Remuneration

At the AGM held on 27 May 2011, DTT were re-appointed by the shareholders as independent auditor of the Company at a fee to be agreed by the Board. The Audit Committee has reviewed the terms of the engagement letters of DTT and agreed with DTT the fees for auditing the Group's financial statements for the year ended 31 December 2011, which together with the fees charged by Deloitte in New Zealand amounts to approximately HK$4.2 million. Further, total fees for about HK$0.7 million were paid and payable to DTT for non-audit services, being the review of the results announcement of the Company for the year ended 31 December 2011 and the interim financial information of the Company for the six months ended 30 June 2011.

In addition, fees for the audit of the financial statements of certain members of the Group for the year under review conducted by other auditors amounted to about HK$0.4 million.

Communication with Shareholders

The Company has established a number of channels to communicate with shareholders as follows:

(i) corporate communication such as annual reports, interim reports and circulars are issued in printed form and are available on the websites of the Company and HKEx;

(ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Company and HKEx;

(iii) corporate information is made available on the Company's website;

(iv) AGMs and special general meetings provide a forum for shareholders to make comments and exchange views with the directors and senior management; and

(v) the Company's Hong Kong branch share registrars serve the shareholders in respect of share registration and related matters.

To enhance corporate communication, separate resolutions have been proposed at general meetings on each substantially separate issue including the election of individual directors.

At the Company's last AGM held on 27 May 2011, all the resolutions relating to ordinary businesses and special businesses proposed thereat were passed. The forthcoming 2012 AGM will be held in Hong Kong on 31 May 2012 and for details, shareholders may refer to the circular containing the notice of such AGM which accompanies this annual report. In accordance with the CGP Code:

(i) the Company has arranged for the respective notices of the 2011 AGM and the forthcoming 2012 AGM to be sent to its shareholders at least 20 clear business days before such meetings;

(ii) all resolutions proposed at the AGMs and all general meetings of the Company have been/will be voted by poll; and

(iii) the above poll voting results have been/will be posted on the respective websites of the Company and HKEx promptly after the relevant meetings.

Corporate Governance Report

Shareholders' Rights

Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may request the Board to convene a special general meeting of the Company. The purposes of the meeting must be stated in the related requisition and deposited at the Company's registered office and principal place of business in Hong Kong.

Shareholders holding not less than one-twentieth of the total voting rights of those shareholders having the right to vote at a general meeting or not less than one hundred shareholders can submit a written request to move a resolution at a general meeting. The written request must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution and deposited at the Company's registered office and principal place of business in Hong Kong.

Investor Relations

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone at (852) 2828 6363 during normal business hours, by fax at (852) 2598 6861 or by e-mail at info@seagroup.com.hk.

Looking Forward

The above corporate governance practices will be monitored, reviewed, amended and revoked from time to time as considered necessary by the Board and its committees. The Company will take appropriate actions to ensure compliance with the required practices and standards including the code provisions and if reasonably practicable, the recommended best practices of the CGP Code at all times.

Directors' Report

The directors of the Company have pleasure in presenting their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2011.

Principal Activities

During the year, the Company acted as an investment holding company and the activities of its principal subsidiaries were investment holding, hotel operation, property and asset management as well as property investment and development in Hong Kong, Mainland China, Australia and New Zealand.

Other particulars of the principal subsidiaries of the Company as at 31 December 2011 are set out in note 44 to the consolidated financial statements.

Segmental Analysis of Operations

An analysis of the Group's performance for the year by reportable segments is set out in note 6 to the consolidated financial statements.

Results

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement and the consolidated statement of comprehensive income on pages 45 and 46 respectively.

The state of affairs of the Group as at 31 December 2011 is set out in the consolidated statement of financial position on pages 47 and 48.

A review of the Group's operations and development is included in the Chairman's Statement on pages 12 to 18.

Dividends

An interim dividend of HK5 cents per share (2010: HK5 cents) amounting to HK$33.5 million (2010: HK$33.5 million) was paid to the shareholders during the year. The Board has resolved to recommend for shareholders' approval at the forthcoming 2012 AGM the payment of a final dividend of HK6 cents per share on Monday, 18 June 2012 for the year under review (2010: HK6 cents), amounting to HK$40.2 million (2010: HK$40.3 million), to the shareholders whose names appear on the register of members at the close of business on Monday, 11 June 2012.

Share Capital

Details of the movements in the share capital of the Company during the year are set out in note 36 to the consolidated financial statements. Certain shares were issued on exercise of share options granted, repurchased and cancelled during the year.

Reserves

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 49 and the Company's reserves available for distribution to shareholders as at 31 December 2011 were as follows:

	2011 HK$'000	2010 HK$'000
Contributed surplus	**190,081**	190,081
Retained profits	**1,170,839**	1,249,145
	1,360,920	1,439,226

Under the Companies Act 1981 of Bermuda (as amended), the amount of 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 after the payment:

(i) it is or would be unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than its liabilities.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Bye-laws and there is no restriction against such rights under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

Investment Properties

All the investment properties of the Group were revalued at 31 December 2011. The net increase in fair value of investment properties amounting to HK$1,083.6 million (2010: HK$884.1 million) has been credited directly to the consolidated income statement.

Details of the movements during the year in the investment properties of the Group are set out in note 18 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 19 to the consolidated financial statements.

Properties

Details of the properties of the Group held for investment and sale purposes and under development at 31 December 2011 are set out in the Property Portfolio on pages 4 and 5.

Directors' Report

Directors

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

Executive Directors

Mr. Lu Wing Chi *(Chairman and Managing Director)*
Mr. Lu Wing Yuk, Andrew
Mr. Lincoln Lu
Mr. Lambert Lu

Non-executive Director

Mr. Lam Sing Tai

Independent Non-executive Directors

Mr. Walujo Santoso, Wally
Mr. Leung Hok Lim
Mr. Chung Pui Lam

In accordance with Bye-laws 88(A), 88(B) and 89 of the Company's Bye-laws and in compliance with code provision A.4.2 of the CGP Code set out in Appendix 14 to the Listing Rules, Messrs. Lincoln Lu, Lam Sing Tai and Walujo Santoso, Wally will retire as directors by rotation and, being eligible, offer themselves for re-election at the forthcoming 2012 AGM.

All other directors shall continue in office.

Directors' Biographical Particulars

Brief biographical particulars of the present directors are set out on pages 8 to 11 of this annual report. Other particulars of same are contained elsewhere in this annual report.

Further particulars of the directors to be re-elected at the 2012 AGM are set out in the circular to the shareholders sent together with this annual report.

Directors' Service Contracts

None of the directors of the Company proposed for re-election at the forthcoming 2012 AGM has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

Particulars of the emoluments of directors on a named basis for the year are set out in note 14 to the consolidated financial statements.

Directors' Interests in Contracts of Significance

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

Arrangements for Directors to Acquire Shares and Debentures

Other than the share options as described in greater detail in the section headed "Share Option Scheme of the Company" below and note 41 to the consolidated financial statements, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Interests in Competing Businesses

Pursuant to Rule 8.10 of the Listing Rules, the following directors and their associates (as defined in the Listing Rules) are considered by the Company to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where such directors have been appointed to represent the interests of the Company and/or other members of the Group:

(i) Mr. Lu Wing Chi, Chairman and Managing Director has shareholdings (for himself and on behalf of his associates) and holds directorships in a number of private companies controlled by, or owned in conjunction with, his close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Mr. Lu is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

(ii) Mr. Lu Wing Yuk, Andrew, Executive Director has shareholdings (for himself and on behalf of his associates) and holds directorships in a number of private companies controlled by, or owned in conjunction with, his close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Mr. Lu is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

(iii) Messrs. Lincoln Lu and Lambert Lu, both Executive Directors are the sons of Mr. Lu Wing Chi. In this regard, Messrs. Lincoln Lu and Lambert Lu are considered to have interests in the competing businesses in which Mr. Lu Wing Chi is deemed interested. Messrs. Lincoln Lu and Lambert Lu also have shareholdings (for themselves and on behalf of their associates) and hold directorships in certain private companies controlled by, or owned in conjunction with, their close relatives and associates. From time to time, such companies are involved in real estate development and investment. In this regard, Messrs. Lincoln Lu and Lambert Lu are considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

However, the Board presently comprises eight members including one non-executive director and three INEDs whose views carry significant weight in the board's decisions. Fundamentally, it is independent of the above individuals and the respective boards of directors of the above companies in which the relevant directors have personal interests. Further, all the directors are fully aware of, and have been discharging, their fiduciary duty to the Company and have acted and will continue to act in the best interest of the Company and its shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the said competing businesses.

Management Contracts

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its holding companies or subsidiaries were entered into with third parties or subsisted during the year.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2011, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

1. Long positions in shares of the Company

Name of directors	Number of shares of HK$0.1 each Held as beneficial owner	Approximate % of interest in the issued share capital
Lu Wing Chi	6,569,285	0.98
Lincoln Lu	5,342,002	0.80
Lambert Lu	8,342,002	1.25
Lam Sing Tai	101,478#	0.02
Leung Hok Lim	656,928	0.10
Chung Pui Lam	656,928	0.10

Note:

Of these shares, 5,739 shares were held by Mr. Lam Sing Tai's wife.

The total number of issued shares of the Company as at 31 December 2011 was 669,181,726 shares.

2. Long positions in shares of associated corporations

(a) JCS Limited ("JCS") — ultimate holding company of the Company

Name of directors	Number of shares of HK$100.0 each Held as beneficial owner	Approximate % of interest in the issued share capital
Lu Wing Chi	15,000	32.61
Lincoln Lu	6,000	13.04
Lambert Lu	6,000	13.04

(b) Nan Luen International Limited ("NLI") — immediate holding company of the Company

Name of directors	Number of shares of HK$100.0 each Held as beneficial owner	Approximate % of interest in the issued share capital
Lu Wing Chi	46,938	30.00
Lincoln Lu	5,021	3.21
Lambert Lu	5,021	3.21

Saved as disclosed herein, as at 31 December 2011, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Saved as disclosed herein, during the year ended 31 December 2011, none of the directors of the Company nor their spouses or children under 18 years of age were granted or exercised any right to subscribe for any securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2011, so far as is known to the directors of the Company, the following substantial shareholders and other persons (other than directors of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name of shareholders	Number of shares of HK$0.1 each		Approximate % of interest in the issued share capital
	Held as beneficial owner	Held by controlled corporation	
JCS	—	399,174,754	59.65
NLI	399,174,754	—	59.65

Notes:

1. JCS held about 63.58% of the issued shares in NLI. The above 399,174,754 shares held by NLI were deemed to be JCS's interest and such shares were, therefore, duplicated between these two shareholders for the purpose of the SFO.

2. Messrs. Lu Wing Chi, Lincoln Lu and Lambert Lu, all being directors of the Company, were also directors of JCS and NLI.

Saved as disclosed herein, as at 31 December 2011, none of the substantial shareholders and other persons (other than directors of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Share Option Scheme of the Company

The Company has adopted a new employee share option scheme (the "SEA New Share Option Scheme") on 19 August 2005. A summary of the principal terms of the SEA New Share Option Scheme is set out below:

1.	Purpose:	To provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined under the SEA New Share Option Scheme).
2.	Participants:	Eligible participants include any director or full-time employee of any member of the Group.
3.	Total number of shares available for issue under the SEA New Share Option Scheme and percentage of the issued share capital that it represents as at the date of this annual report:	The original maximum number of shares which could be issued upon exercise of all options granted or to be granted under the SEA New Share Option Scheme was 53,066,578 shares (the "Scheme Mandate Limit"), representing approximately 10% of the shares of the Company in issue as at 19 August 2005. The Scheme Mandate Limit was refreshed and increased to 64,242,651 shares, representing approximately 10% of the shares of the Company in issue as at 10 June 2009, the date on which an ordinary resolution was passed by the shareholders of the Company to approve the refreshment of the Scheme Mandate Limit. The Scheme Mandate Limit was further refreshed and increased to 67,377,365 shares, representing approximately 10% of the shares of the Company in issue as at 27 May 2010, the date on which an ordinary resolution was passed by the shareholders of the Company to approve the further refreshment of the Scheme Mandate Limit. As at 30 March 2012, a total of 67,377,365 shares (excluding the underlying shares comprised in share options that have been granted but not yet lapsed, cancelled or exercised) were available for issue under the SEA New Share Option Scheme, which represented approximately 10.07% of the issued share capital of the Company on that date.

4.	Maximum entitlement of each participant:	Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company then in issue. In addition, for any grant of share options to a substantial shareholder and/or an independent non-executive director of the Company or its subsidiaries or any of their respective associates, and where the total number of shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceed 0.1% of the shares of the Company then in issue and with an aggregate value in excess of HK$5 million, then the proposed grant is also subject to the approval of shareholders of the Company in general meeting.
5.	Period within which the shares must be taken up under an option:	The period during which an option may be exercised is determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.
6.	Amount payable on acceptance of an option and the period within which payments shall be made:	HK$10 is payable to the Company upon acceptance of the option which must be taken up within 28 days from the date of offer.
7.	The basis of determining the exercise price:	The exercise price is determined by the Board which must be at least the highest of (i) the closing price of the share of the Company on the Stock Exchange on the date of grant of the option; (ii) the average of the closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of the share of the Company.
8.	The remaining life of the SEA New Share Option Scheme:	Valid and effective for a term of ten years from the date of adoption until 24 August 2015.

Options granted under the SEA New Share Option Scheme

Share options granted under the SEA New Share Option Scheme are unlisted equity derivatives physically settled in cash to subscribe for shares of HK$0.1 each in the Company.

The following table shows the movements in share options under the SEA New Share Option Scheme during the year ended 31 December 2011 and the options outstanding at the beginning and end of the year:

Name	Date of grant	Exercise price per share (HK$)	Vesting period	Exercise period	Number of underlying shares comprised in share options: As at 1.1.2011	Exercised during the year[1]	Lapsed during the year	As at 31.12.2011
Director								
Chung Pui Lam	31.12.2008	2.262	31.12.2008 to 30.12.2009	31.12.2009 to 30.12.2011	656,928	(656,928)	—	—
Aggregate of eligible employees[2]	31.12.2008	2.262	Various[3]	Various[3]	5,210,000[3]	(1,900,000)[3]	(160,000)[3]	3,150,000[3]
Total					**5,866,928**	**(2,556,928)**	**(160,000)**	**3,150,000**

Notes:

1. (i) The closing price of the shares of the Company immediately before the date on which the share option was exercised by the relevant director was HK$4.66 per share.

   (ii) The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised by the eligible employees was HK$4.93 per share.

   (iii) The weighted average closing price of the shares of the Company immediately before the dates on which the share options were exercised by all the participants stated in (i) and (ii) above was HK$4.86 per share.

2. Eligible employees mean any full-time employees of the Company and any member of the Group working under employment contracts that were regarded as "Continuous Contracts" for the purpose of the Hong Kong Employment Ordinance.

3. Further information on the exercise and lapse particulars of the underlying shares comprised in the share options granted on 31 December 2008 under the SEA New Share Option Scheme to the eligible employees are as follows:

Number of underlying shares as at 01.01.2011	Vesting period	Exercise period	Exercised during the year	Lapsed during the year	Number of underlying shares as at 31.12.2011
2,900,000	31.12.2008 to 30.12.2010	31.12.2010 to 30.12.2012	(1,800,000)	—	1,100,000
400,000	31.12.2008 to 29.06.2011	30.06.2011 to 29.06.2013	(100,000)	—	300,000
100,000	31.12.2008 to 30.12.2011	31.12.2011 to 30.12.2013	—	—	100,000
500,000	31.12.2008 to 29.06.2012	30.06.2012 to 29.06.2014	—	—	500,000
350,000	31.12.2008 to 30.12.2012	31.12.2012 to 30.12.2014	—	—	350,000
960,000	31.12.2008 to 29.06.2013	30.06.2013 to 29.06.2015	—	(160,000)	800,000
5,210,000			(1,900,000)	(160,000)	3,150,000

4. No share options had been granted or cancelled under the SEA New Share Option Scheme for the year ended 31 December 2011.

Share Option Scheme of AGP

AGP, a 97.17%-owned subsidiary of the Company, has also adopted a share option scheme (the "AGP Share Option Scheme") in 2010. A summary of the principal terms of the AGP Share Option Scheme is set out as follows:

1.	Purpose:	To provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined under the AGP Share Option Scheme).
2.	Participants:	Eligible participants include any (i) director or employee of AGP or any of its affiliate; (ii) representative, manager, agent, contractor, advisor, consultant, distributor or supplier engaged by AGP or any of its affiliate; (iii) customer, promoter, business ally or joint-venture partner of AGP or any of its affiliate; or (iv) trustee of any trust established for the benefit of employees of AGP or any of its affiliate.
3.	Total number of shares of AGP available for issue under the AGP Share Option Scheme and percentage of the issued share capital of AGP that it represents as at the date of this annual report:	The maximum number of the shares of AGP which could be issued upon exercise of all options granted or to be granted under the AGP Share Option Scheme was 88,634,781 shares, representing approximately 10% of the shares of AGP in issue as at the date of this annual report.
4.	Maximum entitlement of each participant:	Unless approved by shareholders of the Company, the total number of shares of AGP issued and to be issued upon exercise of the share options already granted or to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of AGP then in issue. In addition, for any grant of share options to a substantial shareholder and/or an independent non-executive director of the Company or AGP or any of their respective associates, and where the total number of shares of AGP issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceed 0.1% of the shares of AGP then in issue and with an aggregate value in excess of HK$5 million (or its equivalent amount in British Pound), then the proposed grant is subject to the approval of shareholders of the Company in general meeting.
5.	Period within which the shares of AGP must be taken up under an option:	The period during which an option may be exercised is determined by the board of directors of AGP (the "AGP Board") (or any committee delegated by the AGP Board) at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

6.	Amount payable on acceptance of an option and the period within which payments shall be made:	HK$10 (or its equivalent amount in British Pound or United States dollar) is payable to AGP upon acceptance of the option which must be taken up within 28 days from the date of offer.
7.	The basis of determining the exercise price:	The exercise price is determined by the AGP Board (or any committee delegated by the AGP Board) which must be at least the highest of (i) the closing price of the share of AGP on the AIM Market of London Stock Exchange plc on the date of grant of the option; (ii) the average of the closing price of the share of AGP on the AIM Market for the five business days immediately preceding the date of grant of the option; and (iii) the par value of the share of AGP.
8.	The remaining life of the AGP Share Option Scheme:	Valid and effective for a term of ten years from the date of adoption until 15 August 2020.

No option was granted by AGP since the date of adoption of the AGP Share Option Scheme and up to the year ended 31 December 2011.

Share Award Scheme of the Company

A share award scheme (the "SEA Share Award Scheme") was approved by the shareholders of the Company at the special general meeting held on 27 May 2010. The SEA Share Award Scheme is an incentive scheme established for the Group as a flexible means to recognise and acknowledge the performance and/or contributions which the eligible participants (as defined under the SEA Share Award Scheme) have made or will make to the Group and promote the long term success of the Company. The SEA Share Award Scheme commenced on 15 June 2010 and will continue in force until the day immediately before the fifteenth anniversary of such date.

No award was granted since the date of adoption of the SEA Share Award Scheme and up to the year ended 31 December 2011.

Share Award Scheme of AGP

A share award scheme of AGP (the "AGP Share Award Scheme") was approved by the shareholders of the Company at the special general meeting held on 27 May 2010 and by the AGP Board on 28 May 2010. The AGP Share Award Scheme is an incentive scheme established for the AGP Group as a flexible means to recognise and acknowledge the performance and/or contributions which the eligible participants (as defined under the AGP Share Award Scheme) have made or will make to the AGP Group and promote the long term success of AGP. The AGP Share Award Scheme commenced on 16 August 2010 and will continue in force until the day immediately before the fifteenth anniversary of such date.

No award was granted by AGP since the date of adoption of the AGP Share Award Scheme and up to the year ended 31 December 2011.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2011, the Company repurchased a total of 2,502,000 ordinary shares of HK$0.10 each of the Company on the Stock Exchange at an aggregate cash consideration of HK$11,580,540 (excluding expenses). All the purchased shares were then cancelled and the issued share capital of the Company was reduced by the total par value of these shares so cancelled. Particulars of the repurchases are as follows:

Date of repurchase	Total number of shares repurchased	Price paid per share		Aggregate consideration	Date of cancellation of the repurchased shares
		Highest	Lowest		
		HK$	HK$	HK$	
20 June 2011	1,216,000	4.66	4.57	5,664,940	30 June 2011
29 June 2011	1,286,000	4.60	4.60	5,915,600	14 July 2011
	2,502,000			11,580,540	

The directors of the Company considered that the aforesaid shares were repurchased at a substantial discount to the net asset value per share and such purchases resulted in an increase in the net asset value and earnings of every remaining share of the Company.

Apart from the above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2011.

Major Suppliers and Major Customers

During the year, the aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 20% of the Group's total purchases and sales respectively.

Corporate Governance

Throughout the year ended 31 December 2011, the Company has applied the principles and complied with all the code provisions and adopted certain recommended best practices as set out in the CGP Code contained in Appendix 14 to the Listing Rules except for the following deviations:

- Code provision A.2.1, which states that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.

- Code provision A.4.1 which stipulates that non-executive directors should be appointed for a specific term.

However, the Board will continually review and recommend such proposals as appropriate in the circumstances of such deviations.

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 19 to 29.

Directors' Report

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the issued shares in the Company was held by the public (i.e. the prescribed public float applicable to the Company under the Listing Rules) during the year and up to the date of this annual report.

Charitable Donations

During the year, the Group made charitable donations amounting to about HK$62,000 (2010: HK$88,000).

Five-Year Financial Summary

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in the Financial Highlights on pages 2 and 3.

Review by Audit Committee

The audit committee comprises three members, namely Messrs. Leung Hok Lim, Walujo Santoso, Wally and Chung Pui Lam, all being INEDs of the Company. The audit committee has reviewed with the management the audited consolidated financial statements of the Company for the year ended 31 December 2011.

Independent Auditor

The consolidated financial statements of the Company for the year under review have been audited by DTT, who retire and, being eligible, offer themselves for re-appointment. Approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint DTT as independent auditor of the Company for the ensuing year will be put to the forthcoming 2012 AGM for shareholders' approval.

On behalf of the Board

Lu Wing Chi
Chairman and Managing Director

Hong Kong, 30 March 2012

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF S E A HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of S E A Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 112, which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000 (restated)
Revenue	7	**701,279**	722,294
Interest income		**16,140**	14,414
Other income	8	**48,112**	27,453
Costs:			
Property and related costs	9	**(209,248)**	(213,130)
Staff costs		**(169,171)**	(146,183)
Depreciation and amortisation		**(76,876)**	(69,743)
Other expenses	10	**(138,070)**	(140,230)
		(593,365)	(569,286)
Profit from operations before fair value changes on properties		**172,166**	194,875
Fair value changes on investment properties		**1,083,584**	884,133
Profit from operations after fair value changes on properties		**1,255,750**	1,079,008
Share of results of associates		**1,530**	(616)
Share of results of jointly controlled entities		**(1,314)**	(1,872)
Finance costs	11	**(101,237)**	(99,473)
Profit before taxation	12	**1,154,729**	977,047
Income tax expense	13	**(68,403)**	(113,092)
Profit for the year		**1,086,326**	863,955
Attributable to:			
Company's shareholders		**1,061,292**	841,166
Non-controlling interests		**25,034**	22,789
		1,086,326	863,955
		HK cents	HK cents
Earnings per share for profit attributable to the Company's shareholders	17		
Basic		**158.4**	127.1
Diluted		**158.0**	125.4
Earnings per share excluding fair value changes on properties net of deferred tax	*17*		
Basic		***8.0***	*1.2*
Diluted		***8.0***	*1.2*

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000 (restated)
Profit for the year	**1,086,326**	863,955
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**140,598**	76,663
Revaluation increase upon reclassification of property, plant and equipment to investment properties	**1,428**	—
Share of translation differences of jointly controlled entities	**1,997**	734
Share of translation differences of associates	**(86)**	(786)
Total comprehensive income for the year	**1,230,263**	940,566
Total comprehensive income attributable to:		
Company's shareholders	**1,196,760**	918,966
Non-controlling interests	**33,503**	21,600
	1,230,263	940,566

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)
Non-current assets				
Investment properties	18	**8,298,288**	7,144,376	6,462,103
Property, plant and equipment	19	**1,140,060**	1,213,390	984,907
Properties for development	20	**1,288,272**	783,163	48,956
Club memberships	21	**8,574**	8,574	8,574
Interests in associates	22	**10,046**	8,602	12,806
Interests in jointly controlled entities	23	**44,574**	40,499	40,613
Loans receivable	24	**16,911**	34,392	63,209
Other receivable	25	**381,183**	350,726	145,235
Derivative financial instrument	26	**80**	—	—
		11,187,988	9,583,722	7,766,403
Current assets				
Properties held for sale	27			
Completed properties		**330,713**	414,400	566,529
Properties under development		**660,638**	719,663	714,089
Other inventories		**1,019**	1,245	1,339
Other receivable	25	**—**	—	192,330
Held for trading investments	28	**—**	143	154
Loans receivable	24	**978**	1,755	3,073
Receivables, deposits and prepayments	29	**137,206**	130,549	256,647
Tax recoverable		**2,477**	453	35,754
Amounts due from non-controlling shareholders	30	**1,384**	1,578	2,397
Pledged bank deposits	31	**785**	264,103	330,616
Bank balances and cash	32	**2,485,688**	2,355,639	2,332,975
		3,620,888	3,889,528	4,435,903
Investment properties held for sale		**—**	—	245,000
		3,620,888	3,889,528	4,680,903
Current liabilities				
Payables, rental deposits and accrued charges	33	**311,406**	328,828	424,449
Sales deposits		**601**	5,682	1,180
Provisions	34	**5,107**	4,865	6,047
Tax liabilities		**103,074**	136,634	95,054
Amounts due to non-controlling shareholders	30	**195,966**	177,238	134,966
Bank borrowings — due within one year	35	**1,054,331**	1,647,761	1,019,994
Derivative financial instrument	26	**—**	1,828	—
		1,670,485	2,302,836	1,681,690
Liabilities associated with investment properties held for sale		**—**	—	27,200
		1,670,485	2,302,836	1,708,890
Net current assets		**1,950,403**	1,586,692	2,972,013
Total assets less current liabilities		**13,138,391**	11,170,414	10,738,416

Consolidated Statement of Financial Position

At 31 December 2011

	NOTES	31.12.2011 HK$'000	31.12.2010 HK$'000 (restated)	1.1.2010 HK$'000 (restated)
Capital and reserves				
Share capital	36	**66,919**	66,913	64,719
Reserves		**9,822,750**	8,705,352	7,837,901
Equity attributable to the Company's shareholders		**9,889,669**	8,772,265	7,902,620
Non-controlling interests		**302,036**	277,400	272,959
Total equity		**10,191,705**	9,049,665	8,175,579
Non-current liabilities				
Bank borrowings — due after one year	35	**2,529,036**	1,769,227	2,252,324
Derivative financial instrument	26	—	—	3,305
Deferred taxation	37	**417,650**	351,522	307,208
		2,946,686	2,120,749	2,562,837
		13,138,391	11,170,414	10,738,416

The consolidated financial statements on pages 45 to 112 were approved and authorised for issue by the Board of Directors on 30 March 2012 and are signed on its behalf by:

Lu Wing Chi
Chairman and Managing Director

Lambert Lu
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Attributable to the Company's shareholders											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Translation reserve HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Property revaluation reserves HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010 as originally stated	64,719	323,545	277,707	287,775	4,451	9,926	–	–	6,399,220	7,367,343	266,329	7,633,672
Effect of changes in accounting policies	–	–	–	–	–	–	–	–	535,277	535,277	6,630	541,907
At 1 January 2010 as restated	64,719	323,545	277,707	287,775	4,451	9,926	–	–	6,934,497	7,902,620	272,959	8,175,579
Profit for the year	–	–	–	–	–	–	–	–	841,166	841,166	22,789	863,955
Exchange differences arising on translation of foreign operations	–	–	–	77,873	–	–	–	–	–	77,873	(1,210)	76,663
Share of translation differences of jointly controlled entities	–	–	–	713	–	–	–	–	–	713	21	734
Share of translation differences of associates	–	–	–	(786)	–	–	–	–	–	(786)	–	(786)
Other comprehensive income for the year	–	–	–	77,800	–	–	–	–	–	77,800	(1,189)	76,611
Total comprehensive income for the year	–	–	–	77,800	–	–	–	–	841,166	918,966	21,600	940,566
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	(391)	–	(391)	(509)	(900)
Recognition of equity-settled share-based payments	–	–	–	–	–	505	–	–	–	505	–	505
Share repurchased and cancelled	(1,004)	(44,430)	–	–	–	–	–	–	–	(45,434)	–	(45,434)
Share issued on exercise of share options	3,198	75,606	–	–	–	(8,929)	–	–	–	69,875	–	69,875
Dividends paid	–	–	–	–	–	–	–	–	(73,876)	(73,876)	–	(73,876)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(16,650)	(16,650)
At 31 December 2010	66,913	354,721	277,707	365,575	4,451	1,502	–	(391)	7,701,787	8,772,265	277,400	9,049,665
Profit for the year	–	–	–	–	–	–	–	–	1,061,292	1,061,292	25,034	1,086,326
Exchange differences arising on translation of foreign operations	–	–	–	132,186	–	–	–	–	–	132,186	8,412	140,598
Revaluation increase upon reclassification of property, plant and equipment to investment property	–	–	–	–	–	–	1,428	–	–	1,428	–	1,428
Share of translation differences of jointly controlled entities	–	–	–	1,940	–	–	–	–	–	1,940	57	1,997
Share of translation differences of associates	–	–	–	(86)	–	–	–	–	–	(86)	–	(86)
Other comprehensive income for the year	–	–	–	134,040	–	–	1,428	–	–	135,468	8,469	143,937
Total comprehensive income for the year	–	–	–	134,040	–	–	1,428	–	1,061,292	1,196,760	33,503	1,230,263
Recognition of equity-settled share-based payments	–	–	–	–	–	155	–	–	–	155	–	155
Share repurchased and cancelled	(250)	(11,331)	–	–	–	–	–	–	–	(11,581)	–	(11,581)
Share issued on exercise of share options	256	6,300	–	–	–	(771)	–	–	–	5,785	–	5,785
Dividends paid	–	–	–	–	–	–	–	–	(73,715)	(73,715)	–	(73,715)
Disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	1,933	1,933
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(10,800)	(10,800)
At 31 December 2011	**66,919**	**349,690**	**277,707**	**499,615**	**4,451**	**886**	**1,428**	**(391)**	**8,689,364**	**9,889,669**	**302,036**	**10,191,705**

Contributed surplus represents the excess of the nominal value of the shares of the acquired company over the nominal value of the Company's shares issued for the acquisition pursuant to the group reorganisation in previous years.

Other reserves represent the excess of the consideration paid for acquisition of additional interest in a subsidiary from non-controlling shareholder over the carrying amount of non-controlling interests.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Operating activities		
Profit before taxation	**1,154,729**	977,047
Adjustments for:		
Interest expenses	**93,925**	92,853
Write-down of properties held for sale	**14,277**	24,397
Depreciation and amortisation	**76,876**	69,743
Fair value changes on investment properties	**(1,083,584)**	(884,133)
Fair value changes on held for trading investments	**36**	20
Fair value changes on derivative financial instrument	**(1,952)**	(1,738)
Fair value adjustment on other receivable	**517**	7,914
Share of results of associates	**(1,530)**	616
Share of results of jointly controlled entities	**1,314**	1,872
Interest income	**(16,140)**	(14,414)
Loss on disposal/write-off of property, plant and equipment	**19,683**	409
Share-based payment expenses	**155**	505
Operating cash flows before movements in working capital	**258,306**	275,091
Decrease in properties held for sale	**141,912**	140,592
Decrease in other inventories	**226**	94
Decrease (increase) in receivables, deposits and prepayments	**758**	(18,378)
Increase (decrease) in payables, rental deposits and accrued charges	**13,972**	(64,770)
(Decrease) increase in sales deposits	**(5,081)**	4,502
Cash generated from operations	**410,093**	337,131
Interest paid	**(92,321)**	(89,960)
Tax paid	**(56,786)**	(7,436)
Net cash from operating activities	**260,986**	239,735
Investing activities		
Net proceeds received on disposal of investment properties	**—**	217,800
Refund of tender deposits	**—**	149,500
Acquisition of and additional cost on properties for development	**(472,420)**	(720,936)
Dividend received from an associate	**—**	2,802
Interest received	**14,757**	13,552
Receipt of repayments of loans receivable	**18,258**	30,135
Decrease in pledged bank deposits	**263,318**	66,484
Purchase of property, plant and equipment	**(11,577)**	(6,892)
Proceeds on disposals of property, plant and equipment	**1,425**	—
Proceeds on disposal of held for trading investments	**111**	—
Increase in other receivable	**(30,219)**	(49,047)
Loan to a jointly controlled entity	**(2,566)**	(250)
Net cash used in investing activities	**(218,913)**	(296,852)

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Financing activities		
Draw down of bank loans	**1,330,410**	1,013,815
Repayments of bank loans	**(1,193,586)**	(925,084)
Payment of front-end fee	**(12,487)**	—
Issue of new shares	**5,785**	69,875
Advance from non-controlling shareholders	**15,575**	33,115
Repayments from non-controlling shareholders	**194**	819
Acquisition of additional interest in a subsidiary	**—**	(900)
Repurchase of shares	**(11,581)**	(45,434)
Dividends paid	**(73,715)**	(73,876)
Dividends paid to non-controlling shareholders	**(10,800)**	(16,650)
Net cash from financing activities	**49,795**	55,680
Net increase (decrease) in cash and cash equivalents	**91,868**	(1,437)
Cash and cash equivalents at beginning of the year	**2,355,639**	2,332,975
Effect of foreign exchange rate changes	**38,181**	24,101
Cash and cash equivalents at end of the year represented by bank balances and cash	**2,485,688**	2,355,639

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Nan Luen International Limited and its ultimate holding company is JCS Limited. Both holding companies are incorporated in Bermuda as exempted companies with limited liability. The addresses of the registered office and principal place of business of the Company are disclosed in the directory of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 44.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKAS 24 (Revised 2009)	Related Party Disclosures
HKAS 32 (Amendments)	Classification of Rights Issues
HK(IFRIC) — Int 14 (Amendments)	Prepayments of Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except for amendments to HKAS 12 titled "*Deferred Tax: Recovery of Underlying Assets*" ("HKAS 12") as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current or prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has applied amendments to HKAS 12 in advance of their mandatory effective date, which is annual periods beginning on or after 1 January 2012. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "*Investment Property*" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

As a result, certain investment properties of the Group that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred taxes in respect of such properties. The application of the amendments has resulted in the Group's deferred tax liabilities being decreased by HK$541,907,000 and HK$671,432,000 as at 1 January 2010 and 31 December 2010 respectively, with the corresponding adjustment recognised in retained profits. In addition, the application has resulted in the Group's income tax expense for the year ended 31 December 2010 and 31 December 2011 being reduced by HK$129,525,000 and HK$147,675,000 respectively and the profit for the year ended 31 December 2010 and 31 December 2011 increased by the same amount.

Summary of financial effect

The effect of changes in accounting policy on deferred tax on the results of the Group and the earnings per share for the current and prior year due to application of new and revised HKFRS described above are as follows:

	For the year ended 31 December 2011			For the year ended 31 December 2010		
	Impact on profit HK$'000	Impact on basic earnings per share HK cents	Impact on diluted earnings per share HK cents	Impact on profit HK$'000	Impact on basic earnings per share HK cents	Impact on diluted earnings per share HK cents
Decrease in deferred taxation expense arising from amendments to HKAS 12 "*Income Taxes*"						
Attributable to:						
Company's shareholders	**143,239**	**21.4**	**21.3**	125,649	19.0	18.7
Non-controlling interests	**4,436**	**N/A**	**N/A**	3,876	N/A	N/A
Total adjustments	**147,675**	**22.0**	**22.0**	129,525	19.6	19.3

The effects of the above changes on the financial positions of the Group by line items as at 1 January 2010 and 31 December 2010 is as follows:

	As at 1 January 2010			As at 31 December 2010		
	Originally stated HK$'000	Adjustment HK$'000	Restated HK$'000	Originally stated HK$'000	Adjustment HK$'000	Restated HK$'000
Deferred tax liabilities	(849,115)	541,907	(307,208)	(1,022,954)	671,432	(351,522)
Total effect on net assets	(849,115)	541,907	(307,208)	(1,022,954)	671,432	(351,522)
Retained profits	6,399,220	535,277	6,934,497	7,040,861	660,926	7,701,787
Non-controlling interests	266,329	6,630	272,959	266,894	10,506	277,400
Total effect on equity	6,665,549	541,907	7,207,456	7,307,755	671,432	7,979,187

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

New and revised HKFRSs issued but not yet effective

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the financial statements of the Group. However, those which may be relevant to the Group's financial statements are disclosed below.

Amendments to HKFRS 7 Disclosures — Transfer of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures for the current year. However, if the Group enters into transfers of financial assets in the future, disclosures regarding those transfers may be affected.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "*Financial Instruments: Recognition and Measurement*" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's financial statements for the annual period beginning 1 January 2015 but that the application of HKFRS 9 may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

New and revised HKFRSs issued but not yet effective *(continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "*Consolidated and Separate Financial Statements*" that deal with consolidated financial statements and HK(SIC) — Int 12 "*Consolidation — Special Purpose Entities*" has been withdrawn upon the issuance of HKFRS 10. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "*Interests in Joint Ventures*" and HK(SIC) — Int 13 "*Jointly Controlled Entities — Non-Monetary Contributions by Venturers*". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. However, the application of these standards may not have significant impact on amounts reported in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

New and revised HKFRSs issued but not yet effective *(continued)*

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. However, the application of the standard may not have significant impact on amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "*Income Taxes*" and HKAS 19 "*Employee Benefits*" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "*Share-based Payment*" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "*Provisions, Contingent Liabilities and Contingent Assets*", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "*Impairment of Assets*" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "*Impairment of Assets*" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Investment properties that are classified as held for sale are measured at their fair values at the end of the reporting period. Other non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at costs, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation. The fair value at the date of transfer becomes the deemed cost for subsequent accounting as property, plant and equipment.

Property, plant and equipment

Leasehold land and building held for use in the supply of services, or for administrative purpose and other property, plant and equipment other than crockery, utensils and linens are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than crockery, utensils and linens, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Initial expenditure incurred for crockery, utensils and linens is capitalised and no depreciation is provided thereon. The cost of subsequent replacement for these items is recognised in profit or loss when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Properties under development

When buildings are in the course of development held for use in the supply of services or for administrative purposes, the amortisation of prepaid lease payments, where the leasehold land is classified as operating leases, provided during the construction period is included as part of the cost of the building under construction. Buildings under construction are carried at cost, less any identified impairment losses. Cost comprises development costs including attributable borrowing costs, prepaid lease payments and directly attributable costs capitalised during the development period. Depreciation of buildings commences when they are available for use (i.e. when they are in the condition necessary for them to be capable of operating in the manner intended by management).

When leasehold land is intended for sale in the ordinary course of business after completion of development, the leasehold land component is included within the carrying amount of the properties and is classified under current assets.

Properties for development

Properties for development represents consideration and other direct costs for acquisition of leasehold interest in land held for future development.

Properties for development are stated at cost and amortised to profit or loss on a straight-line basis over the term of the relevant lease until the commencement of development, upon which the remaining carrying value of the properties will be transferred to the appropriate categories according to the management's intention of use of the properties after completion of development.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Properties held for sale

Completed properties for sale in the ordinary course of business are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price less selling expenses.

Properties for or under development intended for sale after completion of development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price less anticipated costs to completion of the development and costs to be incurred in marketing and selling the completed properties.

Cost of properties comprises land cost, development costs and other direct costs attributable to the development and borrowing costs capitalised during the development period that have been incurred in bringing the properties to their present condition.

Other inventories

Other inventories comprising food and beverage are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified into loans and receivables and held for trading investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including loans receivable, other receivable, loans to jointly controlled entities, amounts due from non-controlling shareholders, trade receivables, bank deposits and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Held for trading investments

At the end of each reporting period subsequent to initial recognition, held for trading investments are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Impairment of financial assets

Financial assets, other than held for trading investments, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

Financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans receivable, other receivable and trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including payables, amounts due to non-controlling shareholders and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivatives

Derivatives that do not qualify nor designated for hedge accounting are deemed as financial assets/ liabilities held for trading and are measured at fair value with fair value changes recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Club memberships

Club memberships are recognised at cost on initial recognition. Club memberships with indefinite useful lives are subsequently stated at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of a club membership are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and are discounted to present value where the effect of the time value of money is material.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the revenue recognition criteria are recorded as sales deposits received under current liabilities.

Rental income is recognised on a straight-line basis over the term of the relevant lease. In the event that lease incentives are provided to enter into operating leases, such incentives are recognised as an asset. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Hotel operation and other service income are recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity (translation reserve) and will be reclassified from equity to profit or loss on disposal of the foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Equity-settled share-based payment transactions

Share options granted on or before 7 November 2002

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions *(continued)*

Share options granted after 7 November 2002 and vested on or after 1 January 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed immediately or on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme, are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model in accordance with HKAS 40 "*Investment Property*", such properties are presumed to be recovered through sale, unless the presumption is rebutted. This presumption is rebutted if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Deferred taxes

As disclosed in note 2, the Group has adopted amendments to HKAS 12 which include a presumption that the carrying value of investment properties will be recovered through sale for the purposes of measuring deferred taxes. This presumption may be overcome if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time rather than through sale. For the Group's properties located in the People's Republic of China ("PRC"), the Group's business model is to recover those assets through use rather than sale and therefore the presumption has been overcome.

Key sources of estimation uncertainty

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

Income tax

No deferred tax asset has been recognised in respect of tax losses and deductible temporary differences of HK$606,910,000 and HK$128,089,000 (2010: HK$783,801,000 and HK$141,643,000) respectively as it is not probable that taxable profit will be available due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, additional recognition of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which it takes place.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment of property, plant and equipment

The Group performs a review annually to determine whether hotel property with aggregate carrying amount of HK$746,177,000 (2010: HK$792,186,000) has any indication of impairment by considering the recoverable amount of hotel building which has been determined based on value in use. The calculation of value in use requires an estimation of future profit generated from hotel operating cash flows discounted to arrive at the present value of the asset. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Fair value of investment properties

Investment properties with carrying amount of HK$8,298,288,000 (2010: HK$7,142,776,000) and nil (2010: HK$1,600,000) are stated at fair value based on the valuation performed by independent professional valuers and the directors of the Company respectively. In determining the fair value, the valuers and the directors of the Company have used a method of valuation which involves certain assumption of market conditions. In relying on the valuation report or making their own valuation, the directors of the Company have exercised their judgment and are satisfied that the method of valuation is reflective of the current market conditions.

Valuation of properties for development

The Group performs a review annually to determine whether properties for development with aggregate carrying amount of HK$1,288,272,000 (2010: HK$783,163,000) has any indication of impairment by considering the recoverable amounts of the properties which has been determined based on the current market price of properties of comparable location. In case the recoverable amounts of the properties are less than the carrying amount, material adjustment for impairment loss may result.

Valuation of properties held for sale

Management's assessment of properties held for sale with aggregate carrying amount of HK$991,351,000 (2010: HK$1,134,063,000) is based on an estimation of the net realisable value of these properties which involves, inter-alia, considerable analyses of the recent transacted prices of the respective properties held for sale, the current market price of properties of comparable location, the estimated costs to complete the development, where appropriate, and a forecast of future sales based on available market data and statistics. If the actual net realisable values of the properties held for sale are (more) less than expected as a result of change in market condition and/or significant variation in the budgeted development cost, material adjustment for (reversal of) write-down of the properties held for sale may result.

Impairment of other receivable

In determining whether there is any impairment loss on the carrying amount of the other receivable of HK$381,183,000 (2010: HK$350,726,000) in relation to cost incurred on certain pieces of land as detailed in note 25, the Group takes into consideration objective evidences in the estimation of future cash flows. Where the actual future cash flows are less than expected, a material impairment loss, which is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, may arise.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 35, net of cash and cash equivalents and equity attributable to the Company's shareholders, comprising issued capital, retained profits and reserves.

The directors of the Company review the capital structure periodically and maintain a low gearing. The Group's net debt to the total funds employed for financing the Group's principal assets — the properties (presented as investments properties, hotel property, properties for development and properties held for sale in the consolidated statement of financial position) at the end of the reporting period is as follows:

	2011 **HK$'000**	2010 HK$'000
Bank borrowings	**3,583,367**	3,416,988
Pledged bank deposits	**(785)**	(264,103)
Bank balances and cash	**(2,485,688)**	(2,355,639)
Net debt	**1,096,894**	797,246
Total carrying value of properties	**11,615,941**	10,132,049
Net debt to total funds employed	**9.4%**	7.9%

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance is mainly focused on property development, property investment and hotel operation.

Property investment and development activities are in Hong Kong, the PRC, Australia and New Zealand whereas the hotel operation is in Hong Kong.

6. SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's revenue and results by reportable segment:

Segment revenues and results

For the year ended 31 December 2011

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	Eliminations HK$'000	Consolidated HK$'000
SEGMENT REVENUE					
External sales	176,726	291,071	233,482	—	701,279
Inter-segment sales	—	601	—	(601)	—
Total	176,726	291,672	233,482	(601)	701,279
SEGMENT RESULTS					
Segment profit	1,721	1,295,446	56,579		1,353,746
Interest income					16,140
Corporate expenses					(114,136)
Share of results of associates					1,530
Share of results of jointly controlled entities					(1,314)
Finance costs					(101,237)
Profit before taxation					1,154,729

For the year ended 31 December 2010

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	Eliminations HK$'000	Consolidated HK$'000
SEGMENT REVENUE					
External sales	271,096	275,065	176,133	—	722,294
Inter-segment sales	—	816	—	(816)	—
Total	271,096	275,881	176,133	(816)	722,294
SEGMENT RESULTS					
Segment profit	70,938	1,085,015	15,445		1,171,398
Interest income					14,414
Corporate expenses					(106,804)
Share of results of associates					(616)
Share of results of jointly controlled entities					(1,872)
Finance costs					(99,473)
Profit before taxation					977,047

6. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

Inter-segment sales are at mutually agreed terms.

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies described in note 3.

The Group does not allocate interest income, corporate expenses, share of results of associates and jointly controlled entities and finance costs to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision maker.

Other segment information

The following amounts are included in the measurement of segment profit or loss.

For the year ended 31 December 2011

	Property development HK$'000	**Property investment** HK$'000	**Hotel operation** HK$'000	**Unallocated** HK$'000	**Consolidated** HK$'000
Amortisation and depreciation					
— Properties for development	15,084	—	—	—	15,084
— Deprecation of property, plant and equipment	1,066	1,579	50,117	9,030	61,792
Increase in fair value of investment properties	—	1,083,584	—	—	1,083,584
Fair value adjustment on other receivable	517	—	—	—	517
Write-down of properties held for sale	14,277	—	—	—	14,277
(Gain) loss on disposal/ write-off of property, plant and equipment	(208)	63	19,978	(150)	19,683

For the year ended 31 December 2010

	Property development HK$'000	Property investment HK$'000	Hotel operation HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amortisation and depreciation					
— Properties for development	4,608	—	—	—	4,608
— Deprecation of property, plant and equipment	361	1,453	54,077	9,244	65,135
Increase in fair value of investment properties	—	884,133	—	—	884,133
Fair value adjustment on other receivable	7,914	—	—	—	7,914
Write down of properties held for sale	24,397	—	—	—	24,397
Loss on disposal of property, plant and equipment	266	143	—	—	409

6. SEGMENT INFORMATION *(continued)*

Geographical information

The Group operates in four principal geographical areas, Hong Kong (country of domicile), PRC, Australia and New Zealand.

The Group's revenue from external customers by geographical location of properties is detailed below.

	2011 HK$'000	2010 HK$'000
Hong Kong	**447,300**	600,081
PRC	**114,433**	97,898
Australia	**20,330**	17,115
New Zealand	**119,216**	7,200
	701,279	722,294

No single customer contributes over 10% of the total revenue of the Group for the year (2010: Nil).

The Group's information about its non-current assets, which exclude financial assets, by geographical location are detailed below.

	2011 HK$'000	2010 HK$'000
Hong Kong	**7,173,090**	6,377,247
PRC	**3,332,784**	2,540,931
Australia	**230,061**	231,025
New Zealand	**10,287**	9,082
	10,746,222	9,158,285

No segment assets and liabilities are presented as the information is not reportable to the chief operating decision maker in the resource allocation and assessment of performance.

7. REVENUE

The following is an analysis of the Group's revenue from its major business activities.

	2011 HK$'000	2010 HK$'000
Sale of properties	176,726	271,096
Renting of investment properties	291,071	275,065
Hotel operation	233,482	176,133
	701,279	722,294

8. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Included in other income are:		
Net exchange gain	20,865	—
Rental income from properties held for sale temporarily leased	17,387	15,530

9. PROPERTY AND RELATED COSTS

	2011 HK$'000	2010 HK$'000
Changes in completed properties and properties under development held for sale	147,419	145,855
Write-down of properties held for sale	14,277	24,397
Selling and marketing expenses	4,746	9,145
Direct operating expenses of investment properties	42,806	33,733
	209,248	213,130

10. OTHER EXPENSES

	2011 HK$'000	2010 HK$'000
Included in other expenses are:		
Hotel operating expenses	59,741	51,982
Legal and professional fees	13,574	12,097
(Reversal) provision of tax penalty (note 13)	(17,000)	17,000

11. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on:		
Bank borrowings wholly repayable within 5 years	**61,152**	59,857
Bank borrowings not wholly repayable within 5 years	**35,065**	35,580
	96,217	95,437
Less: Amounts capitalised to property development projects	**(2,292)**	(2,584)
	93,925	92,853
Front end fee	**3,684**	4,109
Other charges	**3,628**	2,511
	101,237	99,473

12. PROFIT BEFORE TAXATION

	2011 HK$'000	2010 HK$'000
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	**4,486**	4,388
Directors' emoluments (note 14)	**56,308**	49,760
Fair value changes on held for trading investments	**36**	20
Fair value adjustment on other receivable	**517**	7,914
Loss on disposal/write-off of property, plant and equipment	**19,683**	409
Net exchange losses	**—**	3,544
Share-based payment expenses to employees other than directors	**155**	505
and crediting:		
Gross rental income from investment properties	**291,071**	275,065
Less: Direct operating expenses	**(42,806)**	(33,733)
Net rental income	**248,265**	241,332
Interest income from second mortgage loans	**1,523**	3,018
Interest earned on bank deposits	**13,791**	10,609
Imputed interest income on loans to jointly controlled entities	**826**	787
	16,140	14,414
Fair value changes on derivative financial instrument	**1,952**	1,738

13. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000 (restated)
The charge comprises:		
Current tax		
Hong Kong Profits Tax	**16,901**	38,475
PRC Enterprise Income Tax	**5,417**	31
Other jurisdictions	**148**	975
	22,466	39,481
(Over) underprovision in prior years		
Hong Kong Profits Tax	**(5,543)**	41,974
Deferred tax	**51,480**	31,637
	68,403	113,092

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Income tax arising in PRC and other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

During the preceding year, the Hong Kong Inland Revenue Department ("IRD") initiated a tax audit on two group entities for the years of assessments 2002/2003 to 2008/2009. Estimated assessments for the years of assessment 2003/2004 and 2004/2005 were issued to the entities and against which tax reserve certificates totalling HK$8,995,000 were purchased. During the year, a settlement proposal was agreed with the IRD for giving up the tax losses, arising from provision for loss on certain previously owned properties held as trading assets by the relevant entity, available for offset against future assessable profits. Additional tax liability of HK$36,793,000 was payable on the agreed additional assessable profits for the years of assessments 2003/2004 to 2009/2010. Tax of HK$5,501,000 overprovided up to the year of assessment 2010/2011 and estimated penalty of HK$17,000,000 provided in the preceding year are reversed in the current year's financial statements.

Details of deferred taxation are set out in note 37.

13. INCOME TAX EXPENSE *(continued)*

The income tax expense for the year can be reconciled from profit before taxation per the consolidated income statement as follows:

	2011 HK$'000	2010 HK$'000 (restated)
Profit before taxation	**1,154,729**	977,047
Tax at the domestic income tax rate of 16.5%	**190,530**	161,213
Tax effect of share of results of associates	**(252)**	102
Tax effect of share of results of jointly controlled entities	**217**	309
Tax effect of expenses not deductible for tax purpose	**26,638**	24,977
Tax effect of income not taxable for tax purpose	**(179,330)**	(130,694)
Tax effect of tax losses not recognised	**23,602**	4,770
Utilisation of tax losses previously not recognised	**(4,479)**	(3,570)
Tax effect of deductible temporary differences not recognised	**200**	3,276
Utilisation of deductible temporary differences not previously recognised	**(2,436)**	(1,136)
Withholding tax in other jurisdictions	**148**	975
Effect of different tax rates of subsidiaries operated in other jurisdictions	**19,078**	10,765
(Over) underprovision of income tax in respect of prior years, net	**(5,543)**	41,974
Others	**30**	131
Income tax expense for the year	**68,403**	113,092

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the directors are as follows:

	Lu Wing Chi HK$'000	Lu Wing Yuk, Andrew HK$'000	Lincoln Lu HK$'000	Lambert Lu HK$'000	Lam Sing Tai HK$'000	Walujo Santoso Wally HK$'000	Leung Hok Lim HK$'000	Chung Pui Lam HK$'000	Total HK$'000
2011									
Fees	**20**	**20**	**20**	**20**	**20**	**200**	**250**	**250**	**800**
Other emoluments									
Salaries and other benefits	**5,400**	**840**	**2,520**	**2,520**	**1,560**	**–**	**–**	**–**	**12,840**
Retirement benefits scheme contribution	**810**	**105**	**315**	**315**	**234**	**–**	**–**	**–**	**1,779**
Discretionary and performance based bonus (note a)	**33,891**	**350**	**2,824**	**2,824**	**1,000**	**–**	**–**	**–**	**40,889**
Total emoluments	**40,121**	**1,315**	**5,679**	**5,679**	**2,814**	**200**	**250**	**250**	**56,308**
2010									
Fees	20	20	20	20	20	200	250	250	800
Other emoluments									
Salaries and other benefits	5,400	720	2,400	2,400	1,440	–	–	–	12,360
Retirement benefits scheme contribution	810	90	300	300	216	–	–	–	1,716
Discretionary and performance based bonus (note a)	28,744	350	2,395	2,395	1,000	–	–	–	34,884
Total emoluments	34,974	1,180	5,115	5,115	2,676	200	250	250	49,760

Notes:

(a) The discretionary and performance based bonus to the executive directors is based on the profit before taxation attributable to the Company's shareholders.

(b) No directors waive any of their emoluments during both years ended 31 December 2010 and 2011.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2010: four) were directors of the Company whose emoluments are disclosed in note 14. The emoluments paid and payable to the remaining one (2010: one) individual for the year ended 31 December 2011 amounted to HK$3,847,000 (2010: HK$2,520,000), representing salaries and other benefits of HK$3,189,000 (2010: HK$1,957,000), retirement benefits scheme of HK$122,000 (2010: HK$92,000) and discretionary and performance-based bonus of HK$536,000 (2010: HK$471,000), for his service rendered to the Group.

16. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Dividend recognised as distribution during the year:		
2011 Interim dividend — HK5 cents (2010: HK5 cents) per share	**33,459**	33,450
2010 Final dividend — HK6 cents (2009: HK6 cents) per share	**40,256**	40,426
	73,715	73,876
2011 Final dividend proposed:		
HK6 cents (2010: HK6 cents) per share	**40,151**	40,253

A final dividend of HK6 cents (2010: HK6 cents) per share has been proposed by the directors of the Company and is subject to approval by the shareholders at the forthcoming annual general meeting.

17. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the Company's shareholders is based on the following data:

	2011 HK$'000	2010 HK$'000 (restated)
Earnings for the purpose of basic and diluted earnings per share	**1,061,292**	841,166

	Number of shares 2011	2010
Weighted average number of ordinary shares for the purpose of basic earnings per share	**670,016,989**	661,613,904
Effect of dilutive potential ordinary shares options	**1,674,846**	9,387,126
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**671,691,835**	671,001,030

For the purpose of assessing the performance of the Group, the directors are of the view that the profit for the year should be adjusted for the fair value changes on properties recognised in profit or loss and the related deferred taxation in arriving at the "adjusted profit attributable to the Company's shareholders". A reconciliation of the adjusted earnings is as follows:

	2011 HK$'000	2010 HK$'000 (restated)
Profit attributable to the Company's shareholders as shown in the consolidated income statement	**1,061,292**	841,166
Fair value changes on investment properties	**(1,083,584)**	(884,133)
Deferred tax thereon	**44,983**	25,368
Attributable to non-controlling interests	**30,945**	25,700
Adjusted profit attributable to the Company's shareholders	**53,636**	8,101
Earnings per share excluding fair value changes on properties net of deferred tax		
Basic	**HK8.0 cents**	HK1.2 cents
Diluted	**HK8.0 cents**	HK1.2 cents

The denominators used in the calculation of adjusted earnings per share are the same as those detailed above.

18. INVESTMENT PROPERTIES

	Hong Kong	PRC		Australia	
	Medium-term lease HK$'000	Long lease HK$'000	Medium-term lease HK$'000	Medium-term lease HK$'000	Total HK$'000
At 1 January 2010	4,671,600	1,387,258	210,104	193,141	6,462,103
Fair value changes	785,000	79,515	16,757	2,861	884,133
Reclassified to property, plant and equipment	(259,000)	(13,667)	(12,368)	—	(285,035)
Exchange adjustments	—	49,622	7,267	26,286	83,175
At 31 December 2010	5,197,600	1,502,728	221,760	222,288	7,144,376
Fair value changes	895,000	170,342	18,242	—	1,083,584
Reclassified to property, plant and equipment	—	(34,001)	—	—	(34,001)
Reclassified from property, plant and equipment	—	15,488	—	—	15,488
Exchange adjustments	—	77,770	11,385	(314)	88,841
At 31 December 2011	**6,092,600**	**1,732,327**	**251,387**	**221,974**	**8,298,288**

All of the Group's property interests are held under operating leases to earn rentals and/or for capital appreciation purpose. These properties are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's Hong Kong and PRC investment properties with aggregate carrying value of HK$8,076,314,000 at 31 December 2011 (2010: HK$6,920,488,000) was arrived at on the basis of valuation carried out on that date by Savills Valuation and Professional Services Limited ("Savills") whereas those in Australia had been arrived at on the basis of valuation carried out on that date by CB Richard Ellis Pty Ltd ("CBRE"). The fair value of certain investment properties with carrying value of HK$1,600,000 at 31 December 2010 was determined by the directors by reference to transacted prices for similar properties in the same location.

During the year, the Group changed the use of part of the properties for self-occupation or for earning rental. Accordingly, the relevant portions were transferred to or from property, plant and equipment at their fair values of HK$34,001,000 and HK$15,488,000 respectively on the date of transfer which were arrived at on the basis of valuation carried out on those dates by Savills.

Savills and CBRE are independent professional valuers not connected with the Group. They are members of Institute of Valuers, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation was arrived at on the basis of capitalisation of net income.

19. PROPERTY, PLANT AND EQUIPMENT

	Land in Hong Kong under medium-term lease and building HK$'000	Properties in PRC Under medium-term lease HK$'000	Properties in PRC Under long lease HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles and vessel HK$'000	Leasehold improvements HK$'000	Crockery, utensils and linens HK$'000	Total HK$'000
COST									
At 1 January 2010	816,272	–	136	46,962	46,981	24,954	88,994	3,214	1,027,513
Exchange adjustments	–	430	475	12	417	1,828	52	–	3,214
Additions	–	–	–	67	3,675	1,462	680	1,008	6,892
Reclassified from investment properties	259,000	12,368	13,667	–	–	–	–	–	285,035
Disposals	–	–	–	(133)	(403)	(931)	–	–	(1,467)
At 31 December 2010	1,075,272	12,798	14,278	46,908	50,670	27,313	89,726	4,222	1,321,187
Exchange adjustments	–	634	1,079	2	293	309	150	–	2,467
Additions	–	–	–	–	3,229	3,518	4,001	829	11,577
Reclassified from investment properties	–	–	34,001	–	–	–	–	–	34,001
Fair value changes upon reclassification	–	–	1,428	–	–	–	–	–	1,428
Reclassified to investment properties	–	–	(15,989)	–	–	–	–	–	(15,989)
Adjustment on finalisation of construction costs	(13,531)	–	–	(5,614)	(588)	–	(4,039)	–	(23,772)
Disposals/write-off	(12,793)	–	–	(2,041)	(8,003)	(3,126)	(9,055)	–	(35,018)
At 31 December 2011	**1,048,948**	**13,432**	**34,797**	**39,255**	**45,601**	**28,014**	**80,783**	**5,051**	**1,295,881**
DEPRECIATION									
At 1 January 2010	3,286	–	58	930	15,111	13,006	10,215	–	42,606
Exchange adjustments	–	6	7	6	345	727	23	–	1,114
Provided for the year	27,964	276	304	4,698	8,873	2,482	20,538	–	65,135
Eliminated on disposals	–	–	–	(92)	(128)	(838)	–	–	(1,058)
At 31 December 2010	31,250	282	369	5,542	24,201	15,377	30,776	–	107,797
Exchange adjustments	–	22	16	–	384	174	47	–	643
Provided for the year	27,387	366	494	4,064	8,788	1,959	18,734	–	61,792
Eliminated on reclassification to investment properties	–	–	(501)	–	–	–	–	–	(501)
Eliminated on disposals/ write-off	(538)	–	–	(357)	(6,012)	(3,068)	(3,935)	–	(13,910)
At 31 December 2011	**58,099**	**670**	**378**	**9,249**	**27,361**	**14,442**	**45,622**	**–**	**155,821**
CARRYING VALUES									
At 31 December 2011	**990,849**	**12,762**	**34,419**	**30,006**	**18,240**	**13,572**	**35,161**	**5,051**	**1,140,060**
At 31 December 2010	1,044,022	12,516	13,909	41,366	26,469	11,936	58,950	4,222	1,213,390

19. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual values at the following rates per annum:

Leasehold land	Over the lease terms ranging from 42 years to 45.5 years
Building	2% to 5%
Plant and machinery	10%
Furniture, fixtures and equipment	25%
Motor vehicles and vessel	20% to 25%
Leasehold improvements	25%

20. PROPERTIES FOR DEVELOPMENT

	2011 HK$'000	2010 HK$'000
COST		
At 1 January	**789,806**	50,846
Addition	**472,420**	720,936
Exchange adjustments	**48,370**	18,024
At 31 December	**1,310,596**	789,806
AMORTISATION		
At 1 January	**(6,643)**	(1,890)
Provided for the year	**(15,084)**	(4,608)
Exchange adjustments	**(597)**	(145)
At 31 December	**(22,324)**	(6,643)
CARRYING VALUE		
At 31 December	**1,288,272**	783,163

The carrying amount represents the Group's interest in certain pieces of lands located in the PRC to be held for future development.

The carrying amount is amortised on a straight-line basis over the lease term of 40 to 70 years of the leasehold land.

21. CLUB MEMBERSHIPS

The club memberships are considered as having an indefinite useful life as the directors are of the opinion that the Group would derive benefits from the use of club memberships perpetually. The club memberships are stated at cost less impairment. No amortisation will be made on their carrying amount unless their useful life are determined to be finite. They will be tested for impairment annually or whenever there is an indication of impairment. No further impairment on the amount presented at the end of the reporting period is required as there is no indication of impairment.

22. INTERESTS IN ASSOCIATES

	2011 HK$'000	2010 HK$'000
Unlisted investments, at cost	**96,990**	96,990
Share of post-acquisition reserves	**(6,548)**	(7,992)
Impairment loss recognised	**(80,396)**	(80,396)
	10,046	8,602

Included in the cost of investment in associates is goodwill of HK$80,396,000 (2010: HK$80,396,000) arising on acquisitions of the associates and against which impairment loss had been fully recognised in prior years.

Details of the Group's principal associates at 31 December 2010 and 2011, all of which are companies with limited liability, are as follows:

Name of associate	Form of business structure	Place/ Country of incorporation/ operation	Effective percentage of issued ordinary share capital indirectly held by the Group 2011	2010	Principal activities
GSB Supplycorp Limited	Incorporated	New Zealand	**50**	50	Public sector e-procurement
Professional Service Brokers Limited	Incorporated	New Zealand	**50**	50	e-procurement management
Conexa Limited	Incorporated	New Zealand	**40**	40	e-commerce marketplace

The directors are of the opinion that a complete list of the particulars of all associates of the Group will be of excessive length and therefore the above list contains only the particulars of associates which principally affect the results or assets of the Group.

22. INTERESTS IN ASSOCIATES *(continued)*

The summarised financial information in respect of the Group's associates is as follows:

	2011 HK$'000	2010 HK$'000
Total assets	29,248	27,586
Total liabilities	(9,156)	(10,382)
Net assets	20,092	17,204
Group's share of net assets of associates	10,046	8,602
Revenue	64,750	55,071
Profit (loss) for the year	3,059	(1,232)
Other comprehensive income	(171)	(1,572)
Total comprehensive income for the year	2,888	(2,804)
Group's share of total comprehensive income of associates for the year	1,444	(1,402)

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2011 HK$'000	2010 HK$'000
Cost of unlisted investments in jointly controlled entities	3,994	3,875
Share of post-acquisition reserves	(3,012)	(3,695)
	982	180
Loans to jointly controlled entities	43,592	40,319
	44,574	40,499

23. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

As at 31 December 2011 and 2010, the Group had interests in the following significant jointly controlled entities:

Name of entity	Form of business structure	Place/ Country of incorporation/ operation	Class of equity interest	Effective percentage of equity interest held by the Group	Principal activity
Hong Kong Lawdion (Property) Limited	Incorporated	Hong Kong	Ordinary shares	49	Investment holding
Leiyang Shunhua Real Estate Development Ltd.# 耒陽順華置業有限公司	Established	PRC	Registered capital	49	Property development

English translation of the entity's official name.

The summarised financial information in respect of the Group's interests in the jointly controlled entities which are accounted for using the equity method is set out below:

	2011 HK$'000	2010 HK$'000
Current assets	**169,471**	98,071
Non-current assets	**4,816**	4,662
Current liabilities	**104,760**	59,318
Non-current liabilities	**68,545**	43,235
Income recognised in profit or loss	**25,845**	19,915
Expenses recognised in profit or loss	**27,159**	21,787
Other comprehensive income	**1,997**	734

Loans to jointly controlled entities are unsecured, interest-free and with no fixed repayment terms. As it is the Group's intention not to demand repayment within one year, the amounts are classified as non-current assets.

On application of HKAS 39 "*Financial Instruments — Recognition and Measurement*", the fair value of the loans advanced to jointly controlled entities is determined based on effective interest rate of 2% per annum on initial recognition. The difference between the principal amount and the fair value of the advances, determined on initial recognition, deemed to be capital contributed to jointly controlled entities, is included as part of the cost investments in jointly controlled entities.

24. LOANS RECEIVABLE

	2011 HK$'000	2010 HK$'000
Second mortgage loans	17,877	36,100
Unsecured loans	12	47
	17,889	36,147
Analysed for reporting purposes:		
Current assets	978	1,755
Non-current assets	16,911	34,392
	17,889	36,147

The loans bear interest at Hong Kong Prime Rate and are repayable by monthly installments over a period of 20 years or as stipulated in the respective agreements.

The second mortgage loans are secured by the leasehold properties of the borrowers.

The effective interest rate of the loans receivable is 5.0% (2010: 5.0%) per annum.

Loans receivable balances which are past due at the end of the reporting period are minimal and are not considered impaired. In determining the recoverability of the loans receivable, the Group considers, among other factors, any change in value of the properties securing the loans.

The concentration of credit risk is limited due to the customer base being large and unrelated. No single loan receivable is individually material.

25. OTHER RECEIVABLE

At 31 December 2011, the Group had incurred a total amount of HK$396,583,000 (2010: HK$364,895,000) for the excavation, relocation arrangements and infrastructure works on certain pieces of lands in Nanjing of the PRC. The amount, together with further costs to complete the work, are wholly refundable from the relevant PRC local government either by deduction against the consideration payable if the Group is successful in bidding for the lands or out of the proceeds received by the relevant PRC local government from the other successful tenderer. The directors estimate that the amount will be recovered by 31 December 2013 based on their best estimate of the latest development of the time schedule for auction of the relevant lands. The balance is carried at amortised cost based on an effective interest rate of 2% per annum.

26. DERIVATIVE FINANCIAL INSTRUMENT

The carrying amount represents the fair value of an interest rate swap with notional amount of AUD12,645,000 having fixed interest payment of 6.23% per annum and floating interest receipt of Bank Bill Swap Bid Rate plus 2.25% and maturing on 19 December 2014. The fair value is determined based on the discounted future cash flows using the applicable yield curve over the duration of the swap.

27. PROPERTIES HELD FOR SALE

Properties under development are expected to be realised in more than twelve months after the end of the reporting period.

28. HELD FOR TRADING INVESTMENTS

	2011 HK$'000	2010 HK$'000
Equity securities listed overseas, at fair value	—	143

29. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2011 HK$'000	2010 HK$'000
Trade receivables	**9,368**	10,170
Accrued income, deposits and prepayments	**128,168**	120,867
Less: Allowance for impairment loss	**(330)**	(488)
	137,206	130,549

Trade receivables mainly comprise of rental receivable from tenants for the use of the Group's properties and receivable from corporate customers and travel agents. No credit is allowed to tenants. Rentals are payable upon presentation of demand notes. Average credit period of 30 days is allowed to corporate customers and travel agents.

Receivables from sale of properties are payable according to the payment terms of each individual contract and have to be fully settled before the transfer of legal title of the related properties to the customers.

The following is an aged analysis of trade receivables, presented based on the invoice date, at the end of the reporting period.

	2011 HK$'000	2010 HK$'000
0 to 30 days	**8,294**	9,432
31 to 60 days	**782**	552
61 to 90 days	**153**	55
91 to 365 days	**129**	10
Over 365 days	**10**	121
	9,368	10,170

Before granting credit to any customer, the Group uses an internal credit assessment system to assess the potential customers' credit quality and defines credit limits by customers. Trade receivables which are past due at the end of the reporting period are minimal and are not considered impaired as these debtors have good repayment history. The Group does not hold any collateral over these balances.

30. AMOUNTS DUE FROM/TO NON-CONTROLLING SHAREHOLDERS

The balances are unsecured, interest-free and repayable on demand.

31. PLEDGED BANK DEPOSITS

The deposits carry fixed interest rate of 0.1% (2010: rates ranging from 0.1% to 0.4%) per annum and are pledged to secure short-term bank borrowings.

32. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits which carry fixed interest rates ranging from 0.1% to 4.6% (2010: 0.1% to 3.0%) per annum with original maturity period of three months or less.

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2011 HK$'000	2010 HK$'000
Hong Kong dollars	**101**	13,196
United States dollars	**51,133**	3,980
Renminbi	**1,017,072**	354,200

33. PAYABLES, RENTAL DEPOSITS AND ACCRUED CHARGES

	2011 HK$'000	2010 HK$'000
Trade payables	**2,022**	2,294
Rental deposits	**83,930**	73,429
Other payables, other deposits and accrued charges	**225,454**	253,105
	311,406	328,828

Included in other payables, other deposits and accrued charges is an amount of HK$85,986,000 (2010: HK$94,743,000) payable to contractors for the cost in relation to the excavation, relocation arrangements and infrastructure works on certain pieces of the lands as detailed in note 25.

The rental deposits to be settled after twelve months from the end of the reporting period based on the respective lease terms amount to HK$60,701,000 (2010: HK$50,934,000).

Trade payables are aged less than 60 days at the end of the reporting period based on the invoice date.

34. PROVISIONS

	2011 HK$'000	2010 HK$'000
At 1 January	**4,865**	6,047
Exchange adjustments	**242**	179
Reversed during the year	**—**	(1,361)
At 31 December	**5,107**	4,865

The provisions represent the outstanding compensation payable to the former owners for possession of their properties for redevelopment by the Group. The compensation is either settled in cash or an equivalent value of the Group's properties in other locations or the redeveloped properties as agreed between the relevant parties and the Group. The compensation payable is estimated by the directors based on the relevant PRC statutory requirements.

35. BANK BORROWINGS

	2011 HK$'000	2010 HK$'000
Secured	**3,342,212**	3,147,030
Unsecured	**260,000**	280,000
	3,602,212	3,427,030
Less: Front-end fee	**(18,845)**	(10,042)
	3,583,367	3,416,988
Analysed for reporting purpose as:		
Current liabilities	**1,054,331**	1,647,761
Non-current liabilities	**2,529,036**	1,769,227
	3,583,367	3,416,988
The bank borrowings are repayable as follows:		
On demand or within one year	**1,055,176**	1,649,582
More than one year, but not exceeding two years	**116,388**	505,914
More than two years, but not exceeding five years	**2,081,259**	742,694
More than five years	**349,389**	528,840
	3,602,212	3,427,030
Less: Amounts due for settlement within 12 months shown under current liabilities	**(1,055,176)**	(1,649,582)
Amounts due for settlement after 12 months	**2,547,036**	1,777,448

35. BANK BORROWINGS *(continued)*

All bank borrowings are denominated in the functional currencies of the relevant group entities. Except for a fixed rate bank borrowing of 6.23% (2010: 7.25%) with carrying amount of HK$99,888,000 (2010: HK$142,253,000), the borrowings carry interest at floating rates with effective interest rate ranges from 0.8% to 7.5% (2010: 0.7% to 6.7%) per annum are analysed below:

Denominated in	Interest rates	2011 HK$'000	2010 HK$'000
Hong Kong dollars	Hong Kong Interbank Offered Rate ("HIBOR") plus 0.45% to 2.5% (2010: HIBOR plus 0.45% to 1.8%)	**2,839,183**	2,179,183
Renminbi	95% to 110% of People's Bank of China ("PBOC") Prescribed Interest Rates (2010: 90% to 100% PBOC Prescribed Interest Rates)	**601,948**	938,984
New Zealand dollars	Bank Bill Rate plus 1.35% to 3.5% (2010: Bank Bill Rate plus 2% to 3.5%)	**27,897**	166,610
Australian dollars	Bank Bill Swap Bid Rate plus 2.25% (2010: Nil)	**33,296**	—
		3,502,324	3,284,777

36. SHARE CAPITAL

	Number of ordinary shares of HK$0.1 each		Nominal value	
	2011	2010	2011 HK$'000	2010 HK$'000
Authorised	**1,000,000,000**	1,000,000,000	100,000	100,000
Issued and fully paid:				
At beginning of year	**669,126,798**	647,185,802	**66,913**	64,719
Shares issued upon exercise of share options at HK$2.262 (2010: at HK$1.44 or HK$2.262) per share	**2,556,928**	31,980,996	**256**	3,198
Shares repurchased and cancelled	**(2,502,000)**	(10,040,000)	**(250)**	(1,004)
At end of year	**669,181,726**	669,126,798	**66,919**	66,913

36. SHARE CAPITAL *(continued)*

During the year, the Company repurchased 2,502,000 (2010: 10,040,000) of its own shares as follows. The shares were cancelled upon repurchase.

Month of repurchase	No. of shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
2011				
June	2,502,000	4.66	4.57	11,581
2010				
May	3,578,000	4.00	3.70	14,251
June	710,000	4.10	3.98	2,869
September	1,306,000	4.60	4.05	5,734
October	3,786,000	5.13	4.80	18,952
November	660,000	5.55	5.18	3,628
	10,040,000			45,434

None of the Company's subsidiaries purchased or sold any of the Company's listed shares during the year.

37. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation HK$'000	Fair value of investment properties HK$'000	Effective rental income HK$'000	Others HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2010 as originally stated	37,554	830,048	14,229	(2,174)	(30,542)	849,115
Effect of changes in accounting policies	—	(541,907)	—	—	—	(541,907)
At 1 January 2010 as restated	37,554	288,141	14,229	(2,174)	(30,542)	307,208
Exchange adjustments	251	13,330	517	(163)	(1,258)	12,677
(Credit) charge to profit or loss	(2,742)	25,368	955	1,182	6,874	31,637
At 31 December 2010	35,063	326,839	15,701	(1,155)	(24,926)	351,522
Exchange adjustments	98	13,887	801	(35)	(103)	14,648
(Credit) charge to profit or loss	(6,356)	44,983	1,095	2,930	8,828	51,480
At 31 December 2011	**28,805**	**385,709**	**17,597**	**1,740**	**(16,201)**	**417,650**

37. DEFERRED TAXATION *(continued)*

For the purpose of presentation of the consolidated statement of financial position, deferred tax assets and liabilities above have been offset and shown under non-current liabilities.

At 31 December 2011, the Group has unused tax losses of HK$684,707,000 (2010: HK$904,213,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$77,797,000 (2010: HK$120,412,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$606,910,000 (2010: HK$783,801,000) as it is not probable that taxable profit will be available due to the unpredictability of future profit streams. The unrecognised tax loss at 31 December 2011 has been reduced by HK$286,031,000 as a result of settlement of the tax disputes as detailed in note 13. All unrecognised tax losses may be carried forward indefinitely.

At 31 December 2011, the Group has deductible temporary differences of HK$128,089,000 (2010: HK$141,643,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,949,538**	3,069,252
Held for trading investments	**—**	143
Derivative financial instrument	**80**	—
	2,949,618	3,069,395
Financial liabilities		
Derivative financial instrument	**—**	1,828
Financial liabilities at amortised cost	**3,988,191**	3,834,883
	3,988,191	3,836,711

38. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies

The directors of the Company have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a constructive control environment in which all employees understand their roles and obligations. The directors of the Company monitor and manage the financial risks relating to the operations of the Group to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall strategy remains unchanged from prior year.

Market risk

(i) Foreign currency risk

Certain subsidiaries of the Company have foreign currency denominated monetary assets, which expose the Group to foreign currency risk. The Group currently does not have a policy to hedge the foreign currency exposure. However, the management monitors the related foreign currency fluctuation closely and will consider entering into foreign exchange forward contracts to hedge significant portion of the foreign currency risk should the need arise.

The carrying amounts of the foreign currency denominated monetary assets at the end of the reporting period in the respective group entities are as follows:

	2011 **HK$'000**	2010 HK$'000
Hong Kong dollars	**101**	13,196
United States dollars	**51,133**	3,980
Renminbi	**1,017,072**	354,200

The loans for foreign operations within the Group that form part of the Group's net investment in foreign operations, and are denominated in foreign currency, other than the functional currency of the respective foreign entities, the Hong Kong dollars and United States dollars, at the end of the reporting period amounted to HK$207,903,000 (2010: HK$184,805,000) and HK$92,704,000 (2010: HK$92,804,000) respectively.

38. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(i) Foreign currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2010: 5%) appreciation in the functional currencies of the relevant subsidiaries, Renminbi and Hong Kong dollars, relative to the foreign currencies of the relevant subsidiaries, the Hong Kong dollars, United States dollars and Renminbi. There would be an equal and opposite impact where Renminbi and Hong Kong dollars weaken 5% (2010:5%) against the relevant currencies.

	Decrease in profit for the year		Increase in equity	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Hong Kong dollars	**5**	660	**10,395**	9,240
United States dollars	**2,557**	198	**4,635**	4,640
Renminbi	**50,854**	17,710	**—**	—

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure does not reflect the exposure during the year.

Since Hong Kong dollars are pegged to United States dollars under the Linked Exchange Rate System, management does not expect any significant foreign currency exposure in relation to the exchange rate fluctuation between Hong Kong dollars and United States dollars.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate borrowings, loans receivable, bank balances and deposits. The directors consider that the interest rate risk on bank balances and deposits are insignificant as they are subject to minimal interest rate fluctuation, accordingly, no sensitivity analysis is performed. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR, PBOC Prescribed Interest Rates, New Zealand Bank Bill Rate and Australian Bank Bill Swap Bid Rate on the bank borrowings, and Hong Kong Prime Rate on the loans receivable.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowing.

The management monitors the interest exposure and will consider hedging interest rate risk exposure should the need arise.

38. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

(ii) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates in relation to the Group's variable-rate bank borrowings and loans receivable at the end of the reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2011 would decrease/increase by HK$17,328,000 (2010: HK$16,193,000).

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, management of the Group has 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 debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31 December 2011, the Group has concentration of credit risk on loans to jointly controlled entities and other receivable from two counterparties.

Although the placing of deposits are concentrated on certain banks, the credit risk on the deposits is limited because the counterparties are licensed banks.

The Group has no other significant concentration of credit risk with exposure spread over a number of counterparties and customers.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and by continuously monitoring forecast and actual cash flows. As at 31 December 2011, the Group has available unutilised bank loan facilities of approximately HK$750,000,000 (2010: HK$1,010,396,000).

38. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest, estimated based on interest rate at the end of the reporting period, and principal cash flows.

	Weighted average effective interest rate %	Within 3 months HK$'000	3 months to 6 months HK$'000	6 months to 9 months HK$'000	9 months to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2011								
Payables and deposits received	—	214,033	3,138	1,628	13,288	60,701	292,788	292,788
Amounts due to non-controlling shareholders	—	195,966	—	—	—	—	195,966	195,966
Variable rates bank borrowings	2.44	657,463	59,025	39,090	122,856	2,949,251	3,827,685	3,483,479
Fixed rate bank borrowing	6.23	1,556	1,556	1,556	1,556	112,129	118,353	99,888
		1,069,018	63,719	42,274	137,700	3,122,081	4,434,792	4,072,121

	Weighted average effective interest rate %	Within 3 months HK$'000	3 months to 6 months HK$'000	6 months to 9 months HK$'000	9 months to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2010								
Payables and deposits received	—	249,673	6,024	4,398	3,056	50,934	314,085	314,085
Amounts due to non-controlling shareholders	—	177,238	—	—	—	—	177,238	177,238
Variable rates bank borrowings	2.74	738,095	761,985	29,050	41,927	2,096,185	3,667,242	3,274,735
Fixed rate bank borrowing	7.25	2,578	2,578	2,578	144,452	—	152,186	142,253
		1,167,584	770,587	36,026	189,435	2,147,119	4,310,751	3,908,311

The amounts included above for variable rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

38. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value measurement of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices;

- the fair value of derivative financial instrument is determined in accordance with generally accepted pricing model based on discounted cash flow analysis with reference to interest rate at the end of the reporting period for remaining duration of the outstanding contract; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models which is based on discounted cash flow analysis using the relevant prevailing market rates as input.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	2011		
	Level 1 HK$'000	**Level 2** HK$'000	**Total** HK$'000
Derivative financial instrument	—	**80**	**80**

	2010		
	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Held for trading investments	143	—	143
Derivative financial instrument	—	(1,828)	(1,828)

There was no transfer between Level 1 and 2 categories in the current year.

39. OPERATING LEASE ARRANGEMENTS

The Group as lessee

Minimum lease payments paid under operating lease during the year are HK$1,188,000 (2010: HK$951,000).

At the end of the reporting period, the Group had commitments for future minimum lease payment under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**710**	1,086
In the second to fifth years inclusive	**527**	932
	1,237	2,018

Leases are negotiated for the range of 1 to 2 years (2010: 1 to 3 years) with fixed monthly rentals.

The Group as lessor

Majority of the Group's investment properties were leased out under operating leases.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2011 **HK$'000**	2010 HK$'000
Within one year	**305,436**	256,408
In the second to fifth years inclusive	**630,799**	472,915
Over five years	**879,320**	842,269
	1,815,555	1,571,592

In addition to the annual minimum lease payments, the Group is entitled to, in respect of lease, additional rental based on a specified percentage of revenue, if achieved, earned by the tenant. No such additional rental was received during the year (2010: Nil).

The lease terms of the remaining leased properties range from 1 to 15 years (2010: 1 to 16 years).

40. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to secure banking facilities granted to the Group:

(a) Fixed charges on investment properties and property, plant and equipment with an aggregate carrying value of HK$7,966,255,000 (2010: HK$7,159,657,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.

(b) Fixed charges on hotel properties with aggregate carrying values of HK$746,177,000 (2010: HK$792,186,000) together with a floating charge over all the assets of the properties owning subsidiaries and benefits accrued to the relevant properties.

(c) Fixed charges on properties under development held for sale with an aggregate carrying value of HK$660,638,000 (2010: HK$718,107,000).

(d) Fixed charges on completed properties for sale with aggregate carrying value of HK$1,672,000 (2010: HK$70,063,000).

(e) Bank deposits of HK$785,000 (2010: HK$264,103,000).

41. SHARE-BASED PAYMENTS

Share Option Scheme of the Company

The Company operated an employee share option scheme (the "SEA Old Share Option Scheme") for the primary purpose of providing incentive to directors and eligible employees. The SEA Old Share Option Scheme was approved and adopted on 23 June 2000, which was effective up to 29 June 2010. Under the SEA Old Share Option Scheme, the board of directors of the Company may offer to any director or full time employee/chief executive of the Company, or any of its subsidiaries, options to subscribe for shares in the Company.

The SEA Old Share Option Scheme was terminated on 19 August 2005 and no further option could be granted. The SEA Old Share Option Scheme expired on 30 June 2010 and all options previously granted under the SEA Old Share Option Scheme have been exercised.

The Company approved and adopted a new employee share option scheme (the "SEA New Share Option Scheme") on 19 August 2005 for the primary purpose of providing incentive to directors and eligible employees. The SEA New Share Option Scheme shall be valid and effective for a term of 10 years until 24 August 2015.

Under the SEA New Share Option Scheme, the board of directors of the Company may offer to any director or full time employee/chief executive of the Company, or any of its subsidiaries, options to subscribe for shares of the Company at a price at least the highest of (i) the nominal value of the share of the Company; (ii) the average of the closing price of the share of the Company on the Stock Exchange for the five business days immediately preceding the date of grant of the option; and (iii) the closing price of the share of the Company on the Stock Exchange on the date of grant of the option.

41. SHARE-BASED PAYMENTS *(continued)*

Share Option Scheme of the Company *(continued)*

No option may be granted to an eligible participant which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted or to be granted to such eligible participant in any 12-month period, exceeding 1% of the shares of the Company then in issue. Any further grant of option exceeding such limit is subject to the approval of the shareholders of the Company in general meeting. In addition, for any grant of options to a substantial shareholder and/or an independent non-executive director of the Company or its subsidiaries or any of their respective associates, and where the total number of shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceeding 0.1% of the shares of the Company then in issue and with an aggregate value exceeding HK$5 million, then the proposed grant is also subject to the approval of the shareholders of the Company in general meeting.

Options granted must be taken up within 28 days from the date of grant upon payment of HK$10. The period during which an option may be exercised is determined by the board of directors of the Company at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Unless otherwise determined by the board of directors of the Company at its sole discretion, there is no minimum period for which an option must be held before it can be exercised.

Details of the movements of the share options granted under the SEA Old Share Option Scheme and the SEA New Share Option Scheme during the two years ended 31 December 2011 are as follows:

Date of grant	Vesting period (both dates inclusive)	Exercisable period (both dates inclusive)	Exercise price HK$	Number of share options at 1 January 2010	Exercised	Lapsed	Number of share options at 31 December 2010	Exercised	Lapsed	Number of share options at 31 December 2011
Granted to the director under SEA Old Share Option Scheme										
04.12.2000	–	04.12.2000 - 03.12.2010	1.44	3,000,000	(3,000,000)	–	–	–	–	–
Granted to the directors under SEA New Share Option Scheme										
31.12.2008	–	31.12.2008 - 30.12.2010	2.262	27,590,996	(27,590,996)	–	–	–	–	–
31.12.2008	31.12.2008 - 30.12.2009	31.12.2009 - 30.12.2011	2.262	656,928	–	–	656,928	(656,928)	–	–
				28,247,924	(27,590,996)	–	656,928	(656,928)	–	–
Granted to the employees under SEA New Share Option Scheme										
31.12.2008	–	31.12.2008 - 30.12.2010	2.262	1,100,000	(1,100,000)	–	–	–	–	–
31.12.2008	31.12.2008 - 29.06.2010	30.06.2010 - 29.06.2012	2.262	140,000	(140,000)	–	–	–	–	–
31.12.2008	31.12.2008 - 30.12.2010	31.12.2010 - 30.12.2012	2.262	3,400,000	–	(500,000)	2,900,000	(1,800,000)	–	1,100,000
31.12.2008	31.12.2008 - 29.06.2011	30.06.2011 - 29.06.2013	2.262	500,000	–	(100,000)	400,000	(100,000)	–	300,000
31.12.2008	31.12.2008 - 30.12.2011	31.12.2011 - 30.12.2013	2.262	100,000	–	–	100,000	–	–	100,000
31.12.2008	31.12.2008 - 29.06.2012	30.06.2012 - 29.06.2014	2.262	570,000	–	(70,000)	500,000	–	–	500,000
31.12.2008	31.12.2008 - 30.12.2012	31.12.2012 - 30.12.2014	2.262	850,000	–	(500,000)	350,000	–	–	350,000
31.12.2008	31.12.2008 - 29.06.2013	30.06.2013 - 29.06.2015	2.262	1,170,000	–	(210,000)	960,000	–	(160,000)	800,000
				7,830,000	(1,240,000)	(1,380,000)	5,210,000	(1,900,000)	(160,000)	3,150,000
			Total	39,077,924	(31,830,996)	(1,380,000)	5,866,928	(2,556,928)	(160,000)	3,150,000
			Exercisable at year end	32,347,924			3,556,928			1,500,000

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$4.85 (2010: HK$4.06).

No share option was granted or cancelled during the year.

41. SHARE-BASED PAYMENTS *(continued)*

Share Award Scheme of the Company

The share award scheme of the Company (the "SEA Share Award Scheme") was approved by the shareholders of the Company pursuant to a resolution passed on 27 May 2010. The SEA Share Award Scheme came into effect on 15 June 2010 (the "Adoption Date") upon fulfillment of the conditions contained in the SEA Share Award Scheme. Unless terminated earlier by the board of directors of the Company, the SEA Share Award Scheme shall be valid and effective for a term of 15 years until 14 June 2025.

The purpose of the SEA Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined under the SEA Share Award Scheme). Under the SEA Share Award Scheme, the board of directors of the Company (or any committee delegated by the board of directors of the Company) may at its absolute discretion grant awards, which may comprise (a) new shares of the Company; (b) existing shares of the Company in issue and is listed on the Stock Exchange from time to time; (c) cash in lieu of the shares of the Company; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the SEA Share Award Scheme. No award may be granted under the SEA Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the SEA Share Award Scheme and any other share award scheme of the Company and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of the Company exceed 30% of the shares of the Company in issue from time to time.

No award was granted since the Adoption Date and up to 31 December 2011.

Share Option Scheme of Asian Growth Properties Limited ("AGP")

The share option scheme of AGP (the "AGP Share Option Scheme") was approved by the shareholders of the Company pursuant to a resolution passed on 27 May 2010 and by the board of directors of AGP (the "AGP Board") on 28 May 2010. The AGP Share Option Scheme came into effect on 16 August 2010 (the "AGP Adoption Date") upon fulfillment of the conditions contained in the AGP Share Option Scheme. Unless terminated earlier by the AGP Board, the AGP Share Option Scheme shall be valid and effective for a term of 10 years until 15 August 2020.

The purpose of the AGP Share Option Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined under the AGP Share Option Scheme).

Under the AGP Share Option Scheme, the AGP Board (or any committee delegated by the AGP Board) may offer to the eligible participants options to subscribe for shares of AGP at a price at least the highest of (i) the closing price of the share of AGP on the AIM Market of London Stock Exchange plc. on the date of grant of the option; (ii) the average of the closing price of the share of AGP on the AIM Market for the five business days immediately preceding the date of grant of the option; and (iii) the par value of the share of AGP.

41. SHARE-BASED PAYMENTS *(continued)*

Share Option Scheme of Asian Growth Properties Limited ("AGP") *(continued)*

No option may be granted to an eligible participant which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted or to be granted to such eligible participant in any 12-month period, exceeding 1% of the shares of AGP then in issue. Any further grant of option exceeding such limit is subject to the approval of the shareholders of the Company in general meeting. In addition, for any grant of options to a substantial shareholder and/or an independent non-executive director of the Company or AGP or any of their respective associates, and where the total number of shares issued and to be issued upon exercise of all options granted or to be granted to such person in any 12-month period exceeding 0.1% of the shares of AGP then in issue and with an aggregate value exceeding HK$5 million (or its equivalent amount in British Pound), then the proposed grant is also subject to the approval of the shareholders of the Company in general meeting.

Options granted must be taken up within 28 days from the date of grant upon payment of HK$10 (or its equivalent amount in British Pound or United States dollars). The period during which an option may be exercised is determined by the AGP Board (or any committee delegated by the AGP Board) at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. Unless otherwise determined by the AGP Board (or any committee delegated by the AGP Board) at its sole discretion, there is no minimum period for which an option must be held before it can be exercised.

No option was granted since the AGP Adoption Date and up to 31 December 2011.

Share Award Scheme of AGP

The share award scheme of AGP (the "AGP Share Award Scheme") was approved by the shareholders of the Company pursuant to a resolution passed on 27 May 2010 and by the AGP Board on 28 May 2010. The AGP Share Award Scheme came into effect on the AGP Adoption Date upon fulfillment of the conditions contained in the AGP Share Award Scheme. Unless terminated earlier by the AGP Board, the AGP Share Award Scheme shall be valid and effective for a term of 15 years until 15 August 2025.

The purpose of the AGP Share Award Scheme is to provide a flexible means to recognise and acknowledge the performance and/or contribution of the eligible participants (as defined in the AGP Share Award Scheme). Under the AGP Share Award Scheme, the AGP Board (or any committee delegated by the AGP Board) may at its absolute discretion grant awards, which may comprise (a) new shares of AGP; (b) existing shares of AGP in issue and is listed on the AIM Market from time to time; (c) cash in lieu of the shares of AGP; or (d) a combination of (a), (b) and (c), to any eligible participants as it thinks fit and appropriate and subject to the terms and conditions of the AGP Share Award Scheme. No award may be granted under the AGP Share Award Scheme if the aggregate number of shares which may be issued and/or transferred upon vesting of all outstanding awards granted under the AGP Share Award Scheme and any other share award scheme of AGP and which may be issued upon exercise of all outstanding options granted and yet to be exercised under any share option scheme of AGP exceed 30% of the shares of AGP in issue from time to time.

No award was granted since the AGP Adoption Date and up to 31 December 2011.

42. RETIREMENT BENEFIT PLANS

The Group participates in defined contribution schemes which are registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance of Hong Kong in December 2000 for eligible employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 15% of the employee's basic salary, depending on the length of service with the Group.

For members of the MPF Scheme, the Group contributes 5% to 15% of relevant payroll costs to the scheme for members of the MPF Scheme, depending on the length of service with the Group.

The employees of the Group's subsidiaries in the PRC are members of state-managed retirement benefit scheme operated by the government of the PRC.

The total contribution paid to the retirement benefit schemes by the Group charged to profit or loss for the year amounted to HK$5,604,000 (2010:HK$6,250,000). In the preceding year, no forfeited contributions (2010: HK$57,000) has been used to reduce the level of contributions.

43. RELATED PARTY TRANSACTIONS

(a) Details of the loans to jointly controlled entities and interest income thereon are disclosed in the consolidated statement of financial position and notes 23 and 12 respectively.

(b) The remuneration of directors who are the Group's key management was set out in note 14.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

44. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place/Country of incorporation/ operation	Issued and paid up share capital/ Registered capital	Effective % of issued share capital/ registered capital held by the Company 2011	2010	Principal activities
Direct subsidiaries					
SEABO Pacific Limited	Bermuda/PRC	767,919 ordinary shares of HK$1 each	**100**	100	Investment holding
South-East Asia Investment And Agency Company, Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	**100**	100	Provision of corporate and property management services
Indirect subsidiaries					
AGP (Diamond Hill) Limited	Hong Kong	2 ordinary shares of HK$1 each	**97**	97	Property development
AGP (Sha Tin) Limited	Hong Kong	1 ordinary share of HK$1	**97**	97	Property development
AGP (Wanchai) Limited	Hong Kong	2 ordinary shares of HK$1 each	**97**	97	Property development and investment
Asian Growth Properties Limited	British Virgin Islands ("B.V.I.")/ Hong Kong	886,347,812 ordinary shares of US$0.05 each	**97**	97	Investment holding
Chengdu Huashang House Development Co., Ltd.* 成都華商房屋開發有限公司	PRC	RMB200,000,000 registered capital	**97**	97	Property investment
Chengdu Yulong No.1 Property Development Company Limited* 成都裕龍壹號房地產開發有限公司	PRC	RMB150,000,000 registered capital	**97**	97	Property development
Chengdu Yulong No.2 Property Development Company Limited* 成都裕龍貳號房地產開發有限公司	PRC	RMB60,000,000 registered capital	**97**	97	Property development
Chengdu Yulong No.3 Property Development Company Limited* 成都裕龍叁號房地產開發有限公司	PRC	RMB300,000,000 registered capital	**97**	97	Property development
Concord Way Limited	Hong Kong	100 ordinary shares of HK$1 each	**97**	97	Hotel operation
Giant Well Enterprises Limited	B.V.I./Hong Kong	1 ordinary share of US$1	**97**	97	Investment holding

44. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place/Country of incorporation/ operation	Issued and paid up share capital/ Registered capital	Effective % of issued share capital/ registered capital held by the Company 2011	Effective % of issued share capital/ registered capital held by the Company 2010	Principal activities
Indirect subsidiaries (continued)					
Grace Art Development Limited	Hong Kong	1 ordinary share of HK$1	**97**	97	Treasury services
Guangzhou Yingfat House Property Development Co., Ltd. ** 廣州市盈發房產發展有限公司	PRC	US$20,110,000 registered capital	**97**	97	Property development and investment
Harvest Hill Limited	Hong Kong	2 ordinary shares of HK$1 each	**97**	97	Financing
Huangshan City Huizhou District Feng Dan Bailu Investment and Development Company Limited* 黃山市徽州區楓丹白露投資開發有限公司	PRC	RMB35,000,000 registered capital	**97**	97	Property and tourist leisure facilities development
Kaifeng International City No.1 Realty Development Company Limited* 開封國際城一號實業開發有限公司	PRC	US$60,800,000 registered capital	**97**	97	Property development
Kaifeng International City No.5 Realty Development Company Limited* 開封國際城五號實業開發有限公司	PRC	US$22,040,000 registered capital	**97**	97	Property development
Kingston Pacific Investment Limited	B.V.I./ Hong Kong	100 ordinary shares of US$1 each	**53**	53	Property development
Leighton Road Hotel Management Services Limited	Hong Kong	1 ordinary share of HK$1	**97**	97	Hotel operation
Nanjing Hushu Ecology Travel Development Co., Ltd.@ 南京湖熟生態旅遊發展有限公司	PRC	RMB100,000,000 registered capital	**50**	50	Property, cultural and tourism development
Nanjing Taligang Tourist Leisure Facilities Company Limited@ 南京搭里崗旅遊開發有限公司	PRC	RMB35,000,000 registered capital	**50**	50	Property, cultural and tourism development

44. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place/Country of incorporation/ operation	Issued and paid up share capital/ Registered capital	Effective % of issued share capital/ registered capital held by the Company 2011	2010	Principal activities
Indirect subsidiaries (continued)					
SEA Group Treasury Limited	Hong Kong	10,000,000 ordinary shares of HK$1 each	**97**	97	Treasury services
Shine Concord Investments Limited	Hong Kong	1 ordinary share of HK$1	**97**	97	Hotel operation
Sino Harvest Real Estate Development (Chengdu) Company Limited* 漢泰房地產開發(成都)有限公司	PRC	US$3,000,000 registered capital	**97**	97	Property investment
Sky Trend Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	**97**	97	Hotel operation
Sunfold Development Limited	Hong Kong	1 ordinary share of HK$1	**97**	97	Hotel operation
Trans Tasman Properties Limited	New Zealand	154,194,592 shares of no par value	**100**	100	Investment holding
Wing Siu Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**97**	97	Property investment

* Wholly foreign owned enterprises.

** The Group's entitled to the remaining profit/asset after the PRC partner's entitlement which is the higher of a fixed sum of return or 5% of the profit generated from the related property development project.

@ Sino-foreign equity joint venture.

The directors of the Company are of the opinion that a complete list of the particulars of all subsidiaries of the Company will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

None of the subsidiaries has issued any debt securities at the end of the year.

45. EVENT AFTER THE REPORTING PERIOD

On 7 March 2012, the Group entered into an agreement to dispose of its entire equity interest in, together with the assignment of the loans to, the jointly controlled entities to the joint venture partner for a total cash consideration of HK$61,250,000. The disposal will be completed in December 2012.

26/F Dah Sing Financial Centre 108 Gloucester Road Wanchai Hong Kong
香港灣仔告士打道 108 號大新金融中心 26 樓
T 電話 +852 2828 6363 F 傳真 +852 2598 6861
www.seagroup.com.hk

爪哇控股有限公司
S E A Holdings Limited

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)