SOUNDWILL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 878)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHT

	Year ended 31 December		
	2011	2010	
Turnover	**HK$902 million**	HK$914 million	
Profit attributable to owner of the company	**HK$2,111 million**	HK$2,060 million	(Restated)
Basic earnings per share	**HK$8.05**	HK$8.57	(Restated)
Dividend per share	**HK$0.13**	HK$0.10	

	At 31 December 2011	At 31 December 2010	
Total assets	**HK$14.7 billion**	HK$11.7 billion	
Net assets	**HK$10.3 billion**	HK$7.9 billion	(Restated)
Total borrowings	**HK$3.5 billion**	HK$3.1 billion	
Gearing ratio	**34%**	39%	(Restated)
Net asset value per share	**HK$37.38**	HK$32.60	(Restated)

RESULTS

The board of directors (the "Directors") of Soundwill Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2011 with comparative figures for the previous years as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

	Notes	**2011** *HK$'000*	2010 *HK$'000* (Restated)
Turnover	*2*	**901,690**	913,714
Cost of sales		**(580,559)**	(446,481)
Gross profit		**321,131**	467,233
Other income	*4*	**17,231**	7,045
Administrative expenses		**(145,781)**	(114,206)
Other operating expenses		**(3,885)**	(1,632)
(Loss)/Gain on disposal/deregistration of subsidiaries		**(2,685)**	7,520
Net gain on fair value adjustments on investment properties		**2,032,888**	1,769,570
Gain on disposal of an investment property		**461**	1,061
Gain on disposal of available-for-sale financial assets		**—**	15,331
Profit from operations		**2,219,360**	2,151,922
Finance costs	*5*	**(35,100)**	(28,033)
Share of losses of a jointly-controlled entity		**(838)**	(910)
Profit before income tax	*6*	**2,183,422**	2,122,979
Income tax expense	*7*	**(64,372)**	(56,551)
Profit for the year		**2,119,050**	2,066,428

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Other comprehensive income			
Exchange gain on translation of financial statements of foreign operations		**9,028**	12,771
Amount recognised in profit or loss on disposal/ deregistration of foreign subsidiaries		**—**	(281)
Surplus on revaluation of leasehold building		**2,482**	4,728
Deferred tax liabilities arising from asset revaluation reserve of leasehold building		**(409)**	(780)
Other comprehensive income for the year		**11,101**	16,438
Total comprehensive income for the year		**2,130,151**	2,082,866
Profit for the year attributable to:			
— Owners of the Company		**2,111,219**	2,059,658
— Non-controlling interests		**7,831**	6,770
		2,119,050	2,066,428
Total comprehensive income attributable to:			
— Owners of the Company		**2,122,182**	2,076,014
— Non-controlling interests		**7,969**	6,852
		2,130,151	2,082,866
Earnings per share for profit attributable to owners of the Company during the year			
— Basic	*8*	**HK$8.05**	HK$8.57
— Diluted	*8*	**HK$8.00**	HK$8.43

Consolidated Statement of Financial Position

As at 31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties		**11,038,428**	10,061,908	7,143,620
Property, plant and equipment		**160,118**	60,091	54,431
Properties held for development		**46,672**	47,278	52,845
Interest in a jointly-controlled entity		**45,260**	44,288	43,402
Available-for-sale financial assets		**10**	10	10
Intangible assets		**6,284**	6,631	6,772
Deposit for property development		**—**	—	10,511
		11,296,772	10,220,206	7,311,591
Current assets				
Inventories		**43,022**	37,374	37,449
Properties held for sale		**38,400**	—	89,102
Properties under development		**2,435,382**	775,675	489,207
Trade and other receivables	*9*	**122,328**	163,290	70,760
Available-for-sale financial assets		**—**	—	49,666
Deposits paid for acquisition of properties		**7,557**	52,495	7,462
Bank deposit at escrow account		**185,675**	237,766	—
Cash and cash equivalents		**571,944**	217,779	143,811
		3,404,308	1,484,379	887,457
Current liabilities				
Trade and other payables	*10*	**312,427**	233,511	234,315
Deposit received in advance	*11*	**528,509**	421,785	29,475
Borrowings	*12*	**3,509,413**	3,092,288	2,103,733
Provision for income tax		**13,943**	33,822	15,491
		4,364,292	3,781,406	2,383,014
Net current liabilities		**(959,984)**	(2,297,027)	(1,495,557)
Total assets less current liabilities		**10,336,788**	7,923,179	5,816,034
Non-current liabilities				
Deferred tax liabilities		**59,054**	50,373	43,798
		59,054	50,373	43,798
Net assets		**10,277,734**	7,872,806	5,772,236

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
EQUITY				
Equity attributable to owners of the Company				
Share capital		**27,494**	24,146	24,003
Reserves		**10,151,273**	7,757,662	5,691,645
		10,178,767	7,781,808	5,715,648
Non-controlling interests		**98,967**	90,998	56,588
Total equity		**10,277,734**	7,872,806	5,772,236

Notes:

1. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

1.1 Adoption of new/revised HKFRSs — effective 1 January 2011

In the current year, the Company and its subsidiaries (the "Group") have applied for the first time the following revision and amendment to standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2011:

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 3 (Revised)	Business Combination
HKFRS 7 (Amendments)	Disclosure — Transfers of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards and interpretations has no significant impact on the Group's financial statements.

HKFRS 3 (Revised) — Business Combinations

As part of the Improvements to HKFRSs issued in 2010, HKFRS 3 has been amended to clarify that the option to measure non-controlling interests ("NCI") at either fair value or the NCI's proportionate share in the recognised amounts of the acquiree's identifiable net assets is limited to instruments that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. Other components of NCI are measured at their acquisition date fair value unless another measurement basis is required by HKFRSs. The Group has amended its accounting policies for measuring NCI but the adoption of the amendment has had no impact on the Group's financial statements as the Group did not have any business acquisition in current year.

HKFRS 7 (Amendments) — Disclosure — Transfers of Financial Assets

As part of the Improvements to HKFRSs issued in 2010, HKFRS 7 has been amended to enhance the interaction between quantitative and qualitative disclosures. If the carrying amount of a financial asset best represents the maximum exposure to credit risk, the standard does not require a positive statement to this effect in the financial statements. This amended disclosure requirement has been applied retrospectively. The carrying amount of the Group's trade receivables represents the Group's maximum exposure to credit risk in respect of these financial assets as at 31 December 2011 and 2010. The prior year financial statements included a positive statement to this effect which is removed in the 2011 financial statements following the amendments. The adoption of the amendments has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) — Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition in relation to the transactions with subsidiaries of the Group's associates and to exclude transactions with an entity which was significantly influenced by a member of the Group's key management personnel. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

1.2 Early adoption of Amendments to HKAS 12 — Deferred Tax (Recovery of Underlying Assets)

HKAS 12 — Deferred Tax — Recovery of Underlying Assets (Amendments)

The Group has decided to early adopt the amendments to HKAS 12 — Deferred Tax — Recovery of Underlying Assets, in respect of the recognition of deferred tax on investment properties carried at fair value.

The amendment to HKAS 12 introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. Currently HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendments to HKAS 12 introduce a rebuttable presumption that an investment property is recovered entirely through sale. 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. The amendment is applied retrospectively.

As at 31 December 2011, the Group had investment properties amounting to HK$11,038,428,000 (as at 31 December 2010: HK$10,061,908,000), representing their fair values in accordance with the Group's accounting policy. All of the Group's investment properties are situated in Hong Kong. In Hong Kong, land leases are generally expected to be renewed without a payment of a market-based premium and this expectation is reflected in the market price of properties in Hong Kong. In addition, the Group does not have the business model of holding investment properties until the land leases expire. Given this, the directors assessed that the Group would not consume substantially all of the economic benefits embodied in the investment properties over time. Consequently, as required by the amendment, the Group re-measured the deferred tax relating to these investment properties based on the presumption that they are recovered entirely by sale as if this new policy had always been applied. There is no major tax consequence in Hong Kong of a sale of the investment property as there is currently no capital gain tax in Hong Kong.

The change in accounting policy has been applied retrospectively by restating the opening balances at 1 January 2010 and 2011, with consequential adjustments to comparatives for the year ended 31 December 2010. This has resulted in a reduction in the amount of deferred tax liabilities arising from the fair value change as follows:

	31 December 2011	31 December 2010	1 January 2010
	HK$'000	*HK$'000*	*HK$'000*
Consolidated statement of financial position			
Increase in equity — retained earnings	**1,491,474**	1,156,047	828,469
Decrease in deferred tax liabilities	**(1,491,474)**	(1,156,047)	(828,469)

	2011	2010
	HK$'000	*HK$'000*
Consolidated statement of comprehensive income for the year ended 31 December		
Decrease in income tax expenses	**335,427**	327,578
Increase in basic earnings per share	**1.28**	1.35
Increase in diluted earnings per share	**1.27**	1.34

As a result of the above retrospective restatement, an additional consolidated statement of financial position as at 1 January 2010 is presented in accordance with HKAS 1 Presentation of Financial Statements.

1.3 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 7	Disclosure — Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosure — Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[2]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9 and Amendments to HKFRS 9	Financial Instruments[5]
HKFRS 10	Consolidated Financial Statements[3]
HKFRS 11	Joint Arrangements[3]
HKFRS 12	Disclosure of Interests in Other Entities[3]
HKFRS 13	Fair Value Measurement[3]
HKAS 19 (2011)	Employee Benefits[3]
HKAS 27 (2011)	Separate Financial Statements[3]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[3]

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

Amendments to HKFRS 7 — Disclosures — Transfers of Financial Assets

The amendments to HKFRS 7 improve the derecognition disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKFRS 7 — Disclosures — Offsetting Financial Assets and Financial Liabilities

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

Amendments to HKAS 1 (Revised) — Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to income statement in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

HKFRS 9 — Financial Instruments

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

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

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

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority.

The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

Save as the main changes described above, the Group is in the process of making an assessment of the potential impact of other new/revised HKFRSs and the directors so far concluded that the application of other new/revised HKFRSs will have no material impact on the Group's financial statements.

2. TURNOVER

An analysis of the Group's turnover is as follows:

	2011	2010
	HK$'000	*HK$'000*
Turnover		
Property assembly:		
— Sales of properties held for sale	**483,280**	591,250
Property development:		
— Sales of properties under development (the PRC)	**84,272**	—
Property leasing:		
— Rental and signage rental income	**238,023**	222,703
— Office facilities and service income	**365**	2,739
Building management and other services:		
— Property repairs and maintenance service income	**9,599**	12,053
— Building management service income	**6,780**	7,046
Urban infrastructure:		
— Turnover from urban infrastructure construction works	**79,371**	77,923
	901,690	913,714

3. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major business lines.

The Group has identified the following reportable segments:

Property assembly business	:	Properties assembly and sales of properties
Property development	:	Development of residential and commercial properties
Property leasing	:	Property rental including signage rental and provision of office facilities and services
Building management and other services	:	Provision of building management, property repairs and maintenance services
Urban infrastructure	:	Urban infrastructure development

Each of these operating segments is managed separately as each of the business lines requires different resources as well as operating approaches.

The reporting segment results exclude the (loss)/gain on disposal/deregistration of subsidiaries, finance costs, share of results of a jointly controlled entity, net gain on fair value adjustments on investment properties, gain on disposal of an investment property and gain on disposal of available-for-sale financial assets, income taxes and unallocated income and expenses which are not directly attributable to the business activities of any operating segment, are not included in arriving at the operating results of the operating segment.

The turnover of others segment represents the management fee income received from a fellow subsidiary.

Segment assets include investment properties, property, plant and equipment, inventories, trade and other receivables and operating cash and mainly exclude available-for-sale financial assets, interests in a jointly controlled entity which are not directly attributable to the business activities of any operating segment.

Segment liabilities comprise operating liabilities and exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include provision for income tax, deferred tax liabilities and corporate borrowings.

The executive directors have identified the Group's five business lines.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

	Property assembly business		Property development		Property leasing		Building management and other services		Urban infrastructure		Others		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover														
External customers	483,280	591,250	84,272	–	238,388	225,442	16,379	19,099	79,371	77,923	–	–	901,690	913,714
Inter-segments	–	–	154,430	94,712	17,824	16,078	624	–	–	–	20,276	19,579	193,154	130,369
Reportable segment turnover	483,280	591,250	238,702	94,712	256,212	241,520	17,003	19,099	79,371	77,923	20,276	19,579	1,094,844	1,044,083
Reportable segment profit/(loss)	12,914	183,530	(30,182)	(36,455)	197,233	180,520	6,128	7,999	17,687	21,514	335	20,019	204,115	377,127
Bank interest income	–	1	1,039	97	32	7	–	–	131	294	8	4	1,210	403
Write back of provision for loss in litigation	–	–	–	–	–	–	–	–	5,348	–	–	–	5,348	–
Depreciation	(362)	–	(757)	(586)	(2,410)	(2,356)	(3)	(4)	(303)	(236)	(644)	(688)	(4,479)	(3,870)
Amortisation of intangible assets	–	–	–	–	–	–	–	–	(471)	(360)	–	–	(471)	(360)
Amortisation of properties held for development	–	–	(1,135)	(2,107)	–	–	–	–	–	–	–	–	(1,135)	(2,107)
Provision for obsolete inventories	–	–	–	–	–	–	–	–	(220)	(548)	–	–	(220)	(548)
Reportable segment assets	55,926	33	2,798,890	1,276,340	11,451,945	10,211,704	7,125	6,395	147,200	154,957	194,724	10,858	14,655,810	11,660,287
Additions to non-current segment assets during the year	40	–	725	22,347	903,691	1,383,527	–	–	335	376	2,491	1,041	907,282	1,407,291
Reportable segment liabilities	(28,403)	–	(635,300)	(525,095)	(103,600)	(61,936)	(15,766)	(14,158)	(49,858)	(48,202)	(8,009)	(5,905)	(840,936)	(655,296)

The totals presented for the Group's operating segments reconcile to the Group's key financial figures as presented in the financial statements as follows:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Reportable segment turnover	**1,094,844**	1,044,083
Elimination of intersegment turnover	**(193,154)**	(130,369)
Turnover	**901,690**	913,714
Reportable segment profits	**204,115**	377,127
Net gain on fair value adjustments on investment properties	**2,032,888**	1,769,570
Gain on disposal of an investment property	**461**	1,061
Unallocated income and expenses	**(15,419)**	(18,687)
(Loss)/Gain on disposal/deregistration of subsidiaries	**(2,685)**	7,520
Gain on disposal of available-for-sale financial assets	**—**	15,331
Finance costs	**(35,100)**	(28,033)
Share of loss of a jointly-controlled entity	**(838)**	(910)
Profit before income tax	**2,183,422**	2,122,979
Reportable segment assets	**14,655,810**	11,660,287
Interest in a jointly-controlled entity	**45,260**	44,288
Available-for-sale financial assets	**10**	10
Group assets	**14,701,080**	11,704,585
Reportable segment liabilities	**840,936**	655,296
Borrowings	**3,509,413**	3,092,288
Provision for income tax	**13,943**	33,822
Deferred tax liabilities	**59,054**	50,373
Group liabilities	**4,423,346**	3,831,779

The Group's turnover from external customers and its non-current assets (other than available-for-sale financial assets) are divided into the following geographical areas:

	Turnover from external customers		**Non-current assets**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Principal markets				
Hong Kong (domicile)	**738,047**	835,791	**11,270,640**	10,193,316
PRC	**163,643**	77,923	**26,122**	26,880
	901,690	913,714	**11,296,762**	10,220,196

The geographical location of customers is based on the location at which the goods/services were delivered/rendered. The geographical location of non-current assets is based on the physical location of the assets.

For the year ended 31 December 2011, approximately HK$459,280,000 or 51% (2010: HK$325,000,000 or 36%) of the Group's turnover was derived from a single customer (2010: single customer) for sale of properties in the property assembly business segment. As at 31 December 2011, no trade receivable was due from the above customer (2010: Nil).

4. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Bank interest income	**1,210**	403
Commission income	**7,164**	656
Write-back of other receivables	**—**	1,256
Write-back of provision for loss in litigation	**5,348**	—
Miscellaneous income	**3,509**	4,730
	17,231	7,045

5. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Interest charges on:		
Bank loans		
— wholly repayable within five years	**38,953**	29,597
— not wholly repayable within five years	**9,275**	7,485
Other borrowings wholly repayable within five years	**5,603**	2,197
Total borrowing costs	**53,831**	39,279
Less: Interest capitalised in investment properties and properties under development	**(18,731)**	(11,246)
	35,100	28,033

The analysis shows the finance costs of bank loans, including term loans which contain a repayment on demand clause, in accordance with agreed scheduled repayments dates set out in the loan agreements. For the years ended 31 December 2011 and 2010, the interest on bank loans which contain a repayment on demand clause amounted to HK$44,814,000 and HK$35,177,000 respectively.

6. PROFIT BEFORE INCOME TAX

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Profit before income tax is arrived at after charging:		
Amortisation of intangible assets*	**471**	360
Amortisation of properties held for development	**1,135**	2,107
Auditor's remuneration	**2,901**	2,430
Bad debts written off*	**251**	—
Cost of inventories recognised as expense	**49,253**	44,366
Cost of properties held for-sale/properties under development recognised as expense	**515,948**	384,330
Deposits for property acquisition written off*	**924**	724
Depreciation of property, plant and equipment	**4,479**	3,870
Employee benefit expenses (including directors' remuneration and defined contribution cost)		
— Share option expenses	**8,931**	8,774
— Other employee benefit expenses	**66,125**	54,898
	75,056	63,672
Loss on disposal of property, plant and equipment	**128**	—
Operating lease charges in respect of premises	**3,058**	3,454
Provision for impairment loss of trade receivables*	**1,116**	—
Provision for obsolete inventories*	**220**	548
Property, plant and equipment written off	**58**	417
And crediting:		
Gross rental income from investment properties	**(218,795)**	(203,753)
Less: Outgoings	**7,403**	3,706
	(211,392)	(200,047)
Other rental income less outgoings from other properties	**(230)**	(1,718)
	(211,622)	(201,765)

* included in other operating expenses

7. INCOME TAX EXPENSE

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Hong Kong profits tax			
— Tax for the year	(a)	**47,546**	46,779
— Under/(Over) provision in prior years		**374**	(607)
		47,920	46,172
PRC income tax			
— Tax for the year	(b)	**8,318**	4,831
Deferred tax	(c)	**8,134**	5,548
		64,372	56,551

Notes:

(a) Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit arising in Hong Kong for the year.

(b) The Group's certain subsidiaries established and operating in the PRC are exempted from enterprise income tax for the first two profitable years of operations, and thereafter, are eligible for a 50% relief from enterprise income tax for the following three years ("Tax Holiday"). Remaining subsidiaries operating in the PRC are subject to PRC enterprise income tax rate of 25%.

(c) Deferred tax expenses represents the tax effect of accelerated depreciation allowance of the Group's property, plant and equipment.

8. EARNINGS PER SHARE

Basic earning per share was HK$8.05 (2010: HK$8.57 (restated)) whereas the diluted earning per share was HK$8.00 (2010: HK$8.43 (restated)).

The calculation of basic earnings per share is based on current year's profit attributable to owners of the Company of HK$2,111,219,000 (2010: HK$2,059,658,000 (restated)) and the weighted average of 262,291,149 shares (2010: 240,473,178 shares) in issue during the year.

The calculation of diluted earnings per share is based on the weighted average of 263,842,838 shares (2010: 244,299,214 shares) in issue during the year, adjusted for the effect of all dilutive potential shares.

The weighted average number of shares used in the calculation of dilutive earnings per share is calculated based on the weighted average of 262,291,149 shares (2010: 240,473,178 shares) in issue during the year plus the weighted average of 1,551,689 shares (2010: 3,826,036 shares) deemed to be issued at no consideration if all the dilutive potential shares have been issued.

9. TRADE AND OTHER RECEIVABLES

As at the reporting date, trade receivables included in trade and other receivables were approximately HK$89,235,000 (2010: approximately HK$97,653,000). The credit terms of the Group ranging from 30 to 90 days. Based on the invoices dates, the aging analysis of trade receivables was set out below:

	2011	2010
	HK$'000	*HK$'000*
0 — 30 days	**68,746**	66,486
31 — 90 days	**3,290**	3,420
91 — 180 days	**2,889**	810
Over 180 days	**14,310**	26,937
Total trade receivables	**89,235**	97,653
Other receivables	**33,093**	65,637
	122,328	163,290

10. TRADE AND OTHER PAYABLES

As at the reporting date, trade payables included in trade and other payables were approximately HK$65,209,000 (2010: approximately HK$54,004,000). The Group was granted credit periods by its suppliers ranging from 30 to 60 days. Based on the invoices dates, the aging analysis of trade payables was set out below:

	2011	2010
	HK$'000	*HK$'000*
0 — 30 days	**32,280**	25,760
31 — 90 days	**10,352**	4,660
Over 90 days	**22,577**	23,584
Total trade payables	**65,209**	54,004
Other payables	**247,218**	179,507
	312,427	233,511

11. DEPOSIT RECEIVED IN ADVANCE

	2011	2010
	HK$'000	*HK$'000*
Deposit received associated with sale of properties held for sale	**28,200**	—
Deposit received associated with pre-sale of properties under development		
— HK	**409,272**	341,131
— PRC	**91,037**	80,654
	500,309	421,785
	528,509	421,785

12. BORROWINGS

	2011	2010
	HK$'000	*HK$'000*
Bank loans — secured	**3,509,413**	3,025,918
Other loan	—	66,370
	3,509,413	3,092,288
Carrying amount repayable based on the scheduled repayment dates set out in the loan agreements:		
Within one year	**1,813,562**	957,557
More than one year, but not exceeding two years	**153,534**	1,332,461
More than two years, but not exceeding five years	**1,189,517**	385,270
More than five years	**352,800**	417,000
	3,509,413	3,092,288
Carrying amount of bank loans due for repayment after one year which contain a repayment on demand clause (shown under current liabilities)	**1,695,851**	2,134,731

Bank loans are secured by certain investment properties, property, plant and equipment and properties under development of the Group.

OPERATIONS REVIEW

Overview

Amidst the fluctuating global economy in 2011, the Group adhered to the philosophy of long-term and meticulous operation and proactively acquired land parcels in high-quality areas to increase its land reserve. Also, given its solid strengths, the Group persisted in the sale of its properties with a scrupulous approach without fear for the influence of uncertainties in the external economy, in order to generate predictable and stable return for its shareholders.

Subsequent to the government release of more land reserve and promulgation of a series of stabilization policies targeted at the healthy development of the property market, the Group will maintain its regular acquisition procedures as well as operation and management methods to cater for the needs of owners of old buildings and provide suitable assistance to the property owners proactively, with the objectives of contributing to the sustainable development of the community, striving for the optimal balance between the community, commercial development and the environment, and creating a better living environment for the community.

On the other hand, with the ever-increasing number of mainland visitors to Hong Kong during the recent years, the consumption amount by individual visitors from mainland in Hong Kong continued to substantially escalate and greatly stimulated the local retailing market, which has drawn numerous big international brands into the core areas in Hong Kong and providing strong support for the upward trend of the rent level in these areas. Benefiting from this, Russell Street, where the Group's flagship rental project Soundwill Plaza is situated, has become one of the most expensive streets in the world in terms of rental level, and our rental income once again recorded historical high at an encouraging increment rate, bringing along even more lucrative cash flow and profitability to Soundwill Group.

With the Group positioned in such a favorable milieu, we have attracted international long-term investors to become our shareholders, which not only enhanced our institutional investor base but also mirrored the strong confidence of the investor market in our business prospects and high quality asset value.

Furthermore, the Group became a constituent stock of Morgan Stanley Capital International (MSCI) Hong Kong Small Cap Index since May 2011, which further affirmed the market's recognition of the investment outlook of the Group, reinforcing our position in the international capital market.

Land Bank

During the year, the Group has maintain an active presence in the acquisition of old buildings in different districts on Hong Kong Island, while capturing suitable opportunities in acquiring quality land parcels, in order to further strengthen its investment in projects with appreciation potential, enhance the coverage and quality of its property portfolio, contribute to the re-invigoration of communities, improve building quality and auxiliaries, and benefit new and existing owners alike.

To fully capitalize on the opportunities brought forward by the growth of the Hong Kong market, the Group also resolutely undertakes operations at a number of prime locations to increase its market share, and participates in urban redevelopment projects there. Paralleled to this, the Group will also look for locations with strong potential outside Hong Kong Island and increase its land bank at a reasonable cost, meticulously evaluate its portfolio of investment properties and select projects with a strong potential for self-development, in order to enhance the Group's profit.

Property Assembly

Despite an extremely challenging external environment, it is anticipated that the Hong Kong economy will maintain sound fundamentals, whereas fundamentals of the property market will be consistently solid and the low-interest environment will be going on, leading to increasing investors' confidence in luxurious properties. Also, the relaxation of compulsory auction sale threshold for certain types of buildings to 80% by the government in April 2010 has directly accelerated the progress of ownership unification and reconstruction by the Group. As such, we will proactively expand our core business of old building acquisition, particularly with a focus on the prime areas on Hong Kong Island. Turnover of this business segment is approximately HK$483,280,000 in 2011, accounting for 53.6% of the Group's turnover for the year.

During the year, the Group has successfully disposed of the project on 14-20 Merlin Street, North Point after unification of its ownership. Details are as follows:

- ***14-20 Merlin Street, North Point***

  The site at 14-20 Merlin Street, North Point was disposed of at HK$459,280,000. The total site area was approximately 5,297 square feet, and the construction of a 31-storey hotel project with 351 rooms was approved. Based on a plot ratio of 15, the maximum buildable gross floor area approximates 79,455 square feet. The transaction was completed early by half a year in September 2011 from the scheduled April 2012. Since sales was based on the market value to reflect its costs, approximately HK$203,922,000 of gain on property revaluation in 2011 was included in the cost, and as a result led to a profit of approximately HK$3,837,000. Excluding this net increase in the fair value adjustments, the profit was HK$207,759,000.

The successful disposal of the project at Merlin Street, North Point was mainly the fruitful outcome from the Group's scrupulous assessment of the development direction of different sites in old districts, incessant efforts in expanding the coverage of acquisition and unification, proactive promotion of ownership acquisition of the projects, as well as the Group's extensive experience in acquisitions, its professional team and effective control of the pace of project acquisition.

To align with a series of old district invigoration policies promulgated by the government for improvement of livelihood about a year ago, the Group has successfully unified a number of projects, including:

- ***13-15 Mercury Street, North Point***

  The entire ownership of the site at 13-15 Mercury Street, North Point was successfully unified in October 2011. The total site area was approximately 2,574 square feet, including 2 street-level shops and 6 residential units currently. The site has a maximum buildable plot ratio of 15 and a buildable gross floor area of approximately 38,600 square feet for the re-development of a commercial of hotel project.

  With a number of major development projects upcoming in North Point (including the Oil Street Comprehensive Development Area), two plots of residential, commercial and hotel land parcels located at the previous North Point Estate have also been included in the Application List. These two land parcels are anticipated to become market highlights, exerting positive influence on the property price in the district while helping to enhance the development and appreciation potentials of the Group's project in Mercury Street.

- ***18-21 School Street, Tai Hang***

  The entire ownership of the site at 18-21 School Street, Tai Hang was successfully unified in September 2011. The total site area was approximately 2,250 square feet, including 24 street-level shops and residential units currently. The site was a category C site, with a maximum plot ratio of 10 and a buildable gross floor area of approximately 22,500 square feet for the re-development of a purely residential project. On the other hand, the site planning may be developed for residential (category A) purposes. It is expected that it may not only be developed into a residential property with sea view, but also one with commercial shops at street-level.

  Subsequent to very pleasing sales performance realized by WarrenWoods, a boutique-style luxury residential project in Tai Hang launched by the Group in the year before last, as well as the sell-out of complex units within just a few days, the property price in the district has since reached new record-highs, reflecting the increasing rarity of supply on Hong Kong Island. These have helped to further enhance the appreciation potential of the project on Tai Hang property, generating even more impressive profits for the Group.

- ***14-16 Mosque Temple Street, West Mid-level***

  The entire ownership of the site at 14-16 Mosque Temple Street, West Mid-level was successfully unified in October 2011. The total site area was approximately 4,061 square feet, being a 6-storey residential property with a total of 18 units currently. The site has a maximum buildable plot ratio of 8 and a maximum gross floor area of over 30,000 square feet for the re-development of a residential (category A) project.

  Located next to the Central to Mid-level escalator, the project is just a few minutes' walk from the core financial and business area in Central and has always been the dwelling place for people on business and expatriate professionals. Their keen demand for brand-new quality properties at the same time warrants for satisfactory rental return in the district. On top of this, the successful development of boutique-style luxurious residential properties warmly-received by investors in the district reflected the substantial demand for brand-new quality properties on the market.

- ***57 Kin Wah Street and 66 Fort Street, North Point***

  All the ownerships of the two sites at 57 Kin Wah Street and 66 Fort Street, North Point were successfully unified in November 2011. The total site area of the two sites was approximately 3,240 square feet. Currently, 66 Fort Street is a 6-storey residential property, while 57 Kin Wah Street is a 7-storey residential property (including two storeys of basement). In case of re-developing the site to a residential project, based on a plot ratio of 9, the maximum gross floor area approximates 29,200 square feet for combined development of the two sites.

  The expected development of various major projects in North Point will have positively influence the property price and property development in the district.

In the future, the Group will aggressively carry out acquisition for a number of projects and select sites with relatively high appreciation potential for proactive and in-depth planning and research, while reserving the possibility of keeping the projects for self-development. We will wisely deploy our land resources and explore the best development plans in order to ride on changes in the market environment and optimizing our shareholders' interests.

Property Leasing

For the year ended 31 December 2011, the Group's flagship rental property, Soundwill Plaza has a gross floor area of approximately 246,400 square feet, of which 18,300 square feet were retail areas and approximately 228,100 square feet were of commercial. During the year, sustained optimistic sentiment on both the commercial and retail markets has driven for increased demand for quality shops. Total rental income amounted to HK$238,388,000 (2010: HK$225,442,000), representing an increase of approximately 5.7% as compared to the same period last year and accounting for 26.4% of the turnover for the year. The Group's flagship rental property, Soundwill Plaza recorded very pleasing rental performance, with an occupancy rate of 99% for the year, bringing in a rental income of HK$194,587,000. In 2011, approximately 26.0% of the lease became due, with the renewal rate maintained at high levels. In the forthcoming year, the Group will commit to enhancing the retail rental portfolio, step up marketing efforts and improve auxiliary facilities, with the aims of providing new consumption experience, meeting different needs of customers, in order to maintain the quality of being a grade A commercial building.

The Group will pursue the best development plan according to specific properties' location, area and other specifications based on the principle of maximizing the commercial value.

Benefited from the ever-increasing number of mainland visitors to Hong Kong and the blossoming retail market under the stimulation of the strong consumption power of mainland visitors, the shop rental levels in Hong Kong have been pushed to record highs. Russell Street in Causeway Bay, on which the Group's flagship rental project, Soundwill Plaza locates, has become one of the most expensive streets in the world in terms of rental level. The lease of one street-level retail shop under the project was newly signed in 2011, with the rentals increased by more than double of the existing amount. These have driven for new highs in the rentals of the property, realizing one of the most stable income sources for the Group currently.

Property Development

Targeted at further expanding profitability and room for development for the Group and consolidating the Group's position in the property market, we will proactively and meticulously select sites with relatively high appreciation potential for self-development. The Group will continue to develop different categories of quality projects in order to cater for the needs of different buyers, build an outstanding brand paralleled by outstanding quality, enhancing the profit margin of development projects, and establishing its projects as the preferred choice of the buyers.

Residential Projects

- ***WarrenWoods***

  The new luxury residential project, WarrenWoods is situated on 13-27 Warren Street, Tai Hang, and comprises a total of 164 residential units with multi-dimensional design. Stunning performance was recorded, with 162 units of which sold, realizing approximately HK$1,212,000,000 and the remaining 2 top-floor penthouse units were retained for as property for sale upon completion. As at the end of the year, the Group has received proceeds from flat sale of approximately HK$409,272,000 and the remaining approximately HK$802,728,000 to be received upon delivery of the properties by mid-2012. Since new height limits have been imposed on buildings in the district, it is anticipated that the project will become the new landmark in Tai Hang, with the 2 top-floor penthouse units enjoying permanent view of the Victoria Harbour and the panoramic view spanning from the Hong Kong Stadium to Jardine's Lookout. The project is approaching occupation phase, and occupation is expected in mid-2012, locking in lucrative profits for the Group in the coming year.

- ***Park Haven***

  The brand new luxurious residential project, Park Haven is erected on 32-50 Haven Street, Causeway Bay. Aimed at expanding its boutique-style luxury residential portfolio, the Group has proactively constructed this exceptional luxurious stately residence in the deluxe area at Lee Garden, Causeway Bay, which encompasses the astounding view of the Victoria Harbour, and the greens spanning from the Hong Kong Stadium to Jardine's Lookout. The property is adjacent to the MTR Causeway bay Station and the energetic shopping areas, and shares the same locality with numerous international top brand names and private clubs.

  The project provides approximately 190 residential units, with a standard unit ranges from 510 to 1,154 square feet in size, designed in 1 to 3 room layouts. There are also 4 special units to cater for the needs of different buyers.

Commercial Projects

- ***1-29 Tang Lung Street***

  The site at 1-29 Tang Lung Street has commenced construction and development, with a total site area of approximately 12,500 square feet and a buildable gross floor area of approximately 148,800 square feet. It will be self-developed into a Ginza-style commercial building that integrates retails, restaurant and office in one, and is expected to be completed in 2013. The project is located in the core shopping area in Causeway Bay, within short distance to Soundwill Plaza, Times Square and Hysan Place to create synergy and further stimulate the pedestrian flow in the district upon completion, while bringing remarkable return to the Group.

Property Management, E&M and Building Maintenance

The property management and maintenance subsidiaries under the Group capitalize on their extensive experience and professional service to provide quality maintenance and property management services for property facilities of large-scale commercial buildings, small to medium sized residential properties, estates and shopping malls. Over the years, the Group has emphasized on talent training and provided ample room for career development to its staff. The Group has also organized a competition for “Outstanding Property Management Staff/Quality Service Award” as a recognition for the outstanding performance of its staff, with the objective of building a strong team spirit. Turnover of this segment approximately HK$16,379,000 in 2011, accounting for 1.8% of the Group’s turnover for the year.

Business in Mainland China

Urban Infrastructure Development

Soundwill Infrastructure Limited provides the underground telecommunication pipelines construction business in a number of PRC cities such as Nanchang, Xi’an, Jingdezhen, Yuxi, and cooperates with the local governments in development projects and lays cable networks for information data transmission for its clients and other telecommunication and commercial purposes. Our client base mainly telecom operators such as China Mobile, China Telecom and China Unicom. Soundwill Infrastructure Limited has recorded a total turnover of approximately HK$79,371,000 in 2011, accounting for 8.8% of the Group’s turnover for the year.

Real Estate Development

In view of changes in the international economy and sustained inflation in China, the Central Government has successively promulgated new stringent control policies on the property market to cope with the economic crises. The regulation policies on the real estate and financial sectors will continue for some time in the future, posing relatively significant effect on the price and trading level in the property market. However, given that the mainland market is equipped with sound fundamentals, sustained urbanization, strong economy and robust demands, the medium to long term prospects of the property market remain optimistic.

During the year, the Group has launched a number of residential projects. Of which, the boutique-style residential project, Soundwill • LingDu (Jin Hui Lou) in Zhangtai County, Fujian Province wholly-owned by the Group will be delivered to buyers during 2012. On the other hand, over 60% of the units of Long Feng Chun Xiao, a joint development with its partners in Doumen, Zhuhai that launched pre-sale last year, has been sold up to date, and the remaining units will continue to be put on market for sale. The proceeds from the above residential projects will be accounted successively, contributing to the Group’s profits in the forthcoming years.

"The Lakeview Bay" is located in Gaoyao of Zhaoqing Municipal, which is a intergrated villa and high-rise residential project. For the first phase of development, the project consists 140 twin-house villas, which its construction will be completed in phase from 2012. The project is backed by hilly greens and overlooks the vast Xijiang River. The first phase of market launch was moderately affected during the time when the Central Government promulgated the control policies to curb the flourishing property market from August to October 2011, with the price and sales levels both below expectation. The Group will adjust its marketing strategies in view of the market situation, and the remaining batches will be launched for sale in phase in response to the market performance.

Results of Operations

For the year ended 31 December 2011, the Group has recorded a turnover of approximately HK$901,690,000 (2010: HK$913,714,000), a slightly decrease as compared with last year. It mainly consisted of income from property assembly, leasing rental, property management in Hong Kong and urban infrastructure as well as recognition of property sales income in PRC.

The increase in administrative expense was mainly due to increase in staff cost as result of the expansion of both property assembly and property development department in Hong Kong. Besides, increase in other income also due to written back of provision for loss in litigation as well as commission income. Furthermore, the increase in fair value of investment properties was due to the revaluation gain of our core investment property, Soundwill Plaza.

As a result of the growth in property assembly business and our own developing projects, more project financing was arranged in order cope with the growth. Hence, the interest expense was increased accordingly together with the slightly increase in average borrowing cost.

Profit Attributable to Owners of the Company

During the year, the Group has achieved a profit attributable to owners of the Company of approximately HK$2,111,219,000 (2010: HK$2,059,658,000 (restated)), an increase of 2.5% as compared with last year. This increase was mainly due to a gain on fair value adjustments on investment properties during the year.

Net Assets

The total net asset of the Group as at 31 December 2011 amounted to HK$10,277,734,000 (2010: HK$7,872,806,000 (restated)). Increase in net asset mainly due to increase in investment properties and property under development. Net asset per share as at 31 December 2011 is HK$37.38 (2010: HK$32.6 (restated)).

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2011, the Group's cash and bank balances amounted to HK$571,944,000 (2010: HK$217,779,000). Total borrowings of the Group amounted to HK$3,509,413,000 (2010: HK$3,092,288,000) as at 31 December 2011.

During the year under review, the Group has received further proceeds of approximately HK$68,141,000 from the buyers of the brand new luxury residential project, WarrenWoods in the first half of 2011. As at 31 December 2011, the accumulated amount received was HK$409,272,000.

As at 31 December 2011, the Group's gearing ratio (which was expressed as a percentage of total borrowings over total equity) was 34% (2010: 39% (restated)). As at 31 December 2011, the net assets of the Group amounted to HK$10,277,734,000 (2010: HK$7,872,806,000 (restated)), representing an increase of HK$2,404,928,000. The increase was mainly attributable to increases in properties held for sale and properties under development.

The Group's exposure to foreign currency risk mainly arises from the exchange rate movement between Hong Kong Dollar and Renminbi in relation to its PRC operations. Given that the sustained appreciation of Renminbi would have a positive impact on the Group's assets in the PRC and income generated from the PRC, the Group had not implemented any hedging measures during the year under review.

During the year under review, the Group did not engage in any derivative activities or use any financial instruments to hedge its balance sheet exposures.

Acquisition and development of properties are financed partly by internal resources and partly by bank borrowings. Repayment of bank loans are scheduled to match asset lives and project completion dates. Borrowings are mainly denominated in Hong Kong Dollars and bear interest at floating rates.

In April and June 2011, the Company, by way of top-up placings, allotted 9,000,000 shares and 10,000,000 shares respectively to institutional investors and individual investors, all of whom are third parties independent of the Company and its connected persons.

REVIEW BY AUDIT COMMITTEE

The consolidated results of the Group for the year ended 31 December 2011 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditor, BDO Limited and is in line with the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PLEDGE OF ASSETS

As at 31 December 2011, certain investment properties, property, plant and equipment and properties under development of the Group with a total carrying value of approximately HK$12,383,841,000 (2010: HK$9,904,539,000) were pledged to secure banking facilities for the Group.

CORPORATE CITIZEN

The Group has always strived to fulfill its social responsibilities and has committed itself to serving the community. In an effort to performing its obligations as a "Caring Company", the Group actively participates in charity fundraising and encourages its staff to participate in different charity activities and social services, with the aim to propagate the spirit of building a caring community. Moreover, the Group efforts to promote environmental protection practices and has always been devoted to implementing such environmental protection practices in the properties under the Group through construction plans, energy-saving and various management measures by different means, in order to establish an energy-saving working environment. In addition, the Group has proactively participated in public welfare activities, including:

- Sponsoring and taking part in the Walk for the Environment 2011 for the Conservancy Association, to help the community people arouse environmental protection awareness and nature loving messages

- Sponsoring and taking part in the Concert of Tung Chung Youth Marching Band (東涌青少年步操樂團演奏會) held by Hong Kong Outlying Islands Women's Association to proactively support culture exchanges in society

- Jointly organizing the exhibition and photo contest "The Age of Chinese Tenements in Hong Kong" with Hong Kong Culture Heritage Studies and Promotion, to provide an opportunity for the public to know people's living in the past and the cultural development of our society. The activity was widely covered in the media.

- Sponsoring and taking part in the Family Story Telling program organized by Hong Kong Outlying Islands Women's Association which teaches positive attitudes to children at school through story-telling, and spreads the spirit of community care.

As a good corporate citizen, the Group will continue to support charity activities and perform its social responsibilities in the future.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTORS RELATIONSHIP

The Group believes that effective communication with shareholders is an important part in enhancing investor relationship and promoting investors' understanding for the Company's business performance and strategies. Also, the Group is of the view that transparent and timely disclosure of information on the Group helps shareholders and investors making the most informed investment decisions, and the presentation to them of the Group's true and fair views represents the objective of our communications.

The Group is devoted to enhancing corporate governance on business growth, and strives to attain a balance between corporate governance and performance. The board of directors believes that sound corporate governance is crucial to the success of the Company and the enhancement of shareholders' value.

PROSPECTS

2012 is the election year for many countries, and it is expected that the economic situation will be relatively volatile. As Hong Kong is a highly open economic system, it will unavoidably be subject to the influence of external factors. However, with the expected clear up of the European sovereignty debt crisis, coupled with the advantage of strong support for Hong Kong by China, the Group has full confidence in the property market in the long run against the background of low interest rate versus high inflation rate, sustained increases in the rental level in core areas, and far more favorable rental return from quality properties located in prime areas in the city center as compared to interest income from bank deposits.

Given new record-highs in the number of visitors to Hong Kong and the blooming retail market as stimulated by the strong consumption power of mainland visitors, international top-tier big brand names fight to make their presence within the premier shopping areas despite high prices, and the demand for retail shops in the core areas in Hong Kong continues to exceed the supply. As such, the retail rentals is expected to remain on an upward trend, and the Group is highly confident in the rental prospects of its properties. Apart from the flagship rental project, Soundwill Plaza, the Group's commercial project at 1-29 Tang Lung Street, Causeway Bay is also scheduled for completion in mid-2013 to realize synergistic effect and help broadening and increasing the Group's source of stable income.

In view of the Group's existing acquisition targets and the progress of property construction plans, it is expected that a number of projects will enter the harvest period in the coming two to three years. Looking ahead, the Group will continue to strive for perfection in every aspect of our operation, with a commitment to enhance its management, planning, implementation and corporate governance to the world level for sustained results and attainment of more fruitful results, in order to reap abundant return for its shareholders.

EMPLOYEES REMUNERATION

The Group had 122 and 254 employees in Hong Kong and Mainland China respectively as at 31 December 2011. Employees were remunerated on the basis of their performance, experience and prevailing market practice. Remuneration packages comprise salary, medical insurance, mandatory provident fund and year end discretionary bonus. During the year, share options were also granted to various directors and employees on a performance related basis. Total salaries and wages incurred in 2011, if excluding share option expenses of approximately HK$8,931,000 (2010: HK$8,774,000) were approximately HK$66,125,000 (2010: HK$54,898,000).

DIVIDEND

The Board recommends a payment of a final dividend of HK$0.13 (2010: HK$0.10) per share for the year ended 31 December 2011, subject to the approval of the shareholders at the forthcoming annual general meeting to be held on 16 May 2012. The final dividend will be payable on or about 19 June 2012 to shareholders whose names appear on the register of members on 23 May 2012.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Monday, 14 May 2012 to Wednesday, 16 May 2012 (both dates inclusive). In order to determine the shareholders who are entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. Friday, 11 May 2012.

CLOSURE OF REGISTER OF MEMBER FOR DIVIDEND

The register of members of the Company will be closed from Tuesday, 22 May 2012 to Wednesday, 23 May 2012 (both dates inclusive), during which no transfer of share will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. Monday, 21 May 2012.

CONTINGENT LIABILITIES

(a) During the course of business, certain bank accounts were opened and held in the name of certain subsidiaries on behalf of third parties to whom these subsidiaries provided building management services. As at the reporting date, those bank balances which were held on behalf of third parties and were not accounted for in the books of account and financial statements of the Group amounted to HK$4,322,000 (2010: HK$4,816,000).

(b) Since the Group commenced legal proceedings HCA 1902/2009 against a joint venture partner in 2009, with whom the Group has a joint venture agreement for the development and construction of village houses in the New Territories, the Group filed an amended statement of claim in November 2011. The exchange of pleadings are still ongoing and the trial date is yet to be fixed by court.

    According to the legal advice taken by the Group, the Directors are of the opinion that the Group has a fair chance to succeed in the lawsuit and hence no provision was made for this legal proceeding as at reporting date.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company was in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited except that:

(1) Code Provision A.2.1

Code Provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of the chairman and chief executive officer are not separated and performed by two different individuals. Madam Foo Kam Chu, Grace is the founder and the Chairman of the Group. She is responsible for the Group's overall development direction and strategies. The Chairman ensures the Board functions effectively and discharges its responsibilities. There is no chief executive officer appointed and the daily operations of the Groups are delegated to other executive directors, the management and various department heads.

(2) Code Provision A.4.1

Code Provision A.4.1 provides that non-executive directors should be appointed for a specific term. The non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Bye-Laws.

APPRECIATION

As a final note, I wish to take this opportunity to thank the Directors and staff for their contributions and good performance in the past financial year.

By order of the Board
Foo Kam Chu, Grace
Chairman

Hong Kong, 21 March 2012

As at the date of this announcement, the Board comprises (i) Executive Directors: Foo Kam Chu Grace, Chan Wai Ling, Kong Siu Man Kenny and Lau Kam Kwok Dickson; and (ii) Independent Non-Executive Directors: Chan Kai Nang, Pao Ping Wing and Ng Chi Keung.