CHINESE ESTATES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 127)

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2011

The board of directors (the "Board") of Chinese Estates Holdings Limited (the "Company") would like to announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the financial year ended 31st December, 2011 (the "Year") pursuant to paragraph 45 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Group's consolidated statement of comprehensive income and consolidated statement of financial position, all of which have been reviewed by the Audit Committee, together with the comparative figures of the corresponding year ended 31st December, 2010 are set out as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December, 2011

	Notes	**2011 HK$'000**	2010 HK$'000
Revenue	3	**527,792**	2,671,012
Cost of sales		**(244,484)**	(1,320,032)
Gross profit		**283,308**	1,350,980
Other income	5	**257,536**	124,856
Investment (expenses) income, net	6	**(563,315)**	877,891
Administrative expenses		**(273,248)**	(229,800)
Other expenses	7	**(19,262)**	(15,776)
Gain on disposals of properties and other fixed assets		**25**	40
Gain (loss) on disposals of investment properties		**1,945**	(4)
Fair value changes on investment properties		**2,959,593**	(10,831,293)
Finance costs	9	**(330,729)**	(68,486)
Other gains and losses, net	10	**78,265**	19,867
Share of results of associates		**1,241,732**	56,580
Profit (loss) before tax		**3,635,850**	(8,715,145)
Income tax expense	11	**(116,146)**	(120,602)
Profit (loss) for the year	8	**3,519,704**	(8,835,747)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*
For the year ended 31st December, 2011

	Notes	**2011 HK$'000**	2010 HK$'000
Other comprehensive income			
Fair value changes on available-for-sale investments		**(37,899)**	24,981
Reclassification relating to disposal of available-for-sale investments		**34**	(108,421)
Exchange differences on translation of foreign operations		**213,677**	181,202
Share of other comprehensive income of associates		**107,943**	78,272
Other comprehensive income for the year (net of tax)		**283,755**	176,034
Total comprehensive income (expenses) for the year		**3,803,459**	(8,659,713)
Profit (loss) for the year attributable to:			
Owners of the Company		**3,497,816**	(8,858,245)
Non-controlling interests		**21,888**	22,498
		3,519,704	(8,835,747)
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		**3,784,673**	(8,685,583)
Non-controlling interests		**18,786**	25,870
		3,803,459	(8,659,713)
Earnings (loss) per share (HK$)	13		
Basic and diluted		**1.83**	(4.60)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31st December, 2011

	Notes	**2011 HK$'000**	2010 HK$'000
Non-current assets			
Investment properties	14	**34,484,529**	27,419,024
Properties and other fixed assets		**521,756**	521,589
Property interests held for future development		**-**	-
Intangible assets		**1,430**	4,290
Goodwill		**329,879**	6,941
Interests in associates		**1,693,745**	1,044,056
Advances to associates		**1,618,642**	1,563,687
Interests in jointly controlled entities		**-**	-
Available-for-sale investments		**4,160,350**	334,079
Financial assets designated as at fair value through profit or loss		**2,453,411**	3,101,417
Advances to investee companies		**406,241**	344,879
Loans receivable – due after one year		**58**	78
Deferred tax assets		**47,279**	33,083
Advances to non-controlling shareholders		**124,388**	138,971
Pledged deposits		**165,441**	163,031
		46,007,149	34,675,125
Current assets			
Stock of properties		**5,707,076**	4,339,662
Available-for-sale investments		**53,323**	100,704
Investments held-for-trading		**514,917**	2,422,066
Financial assets designated as at fair value through profit or loss		**2,773,200**	2,084,012
Loans receivable – due within one year		**60**	41
Inventories for cosmetic products		**3,939**	2,960
Debtors, deposits and prepayments	15	**583,469**	485,872
Securities trading receivables and deposits		**25,362**	106,865
Tax recoverable		**1,320**	2,277
Pledged deposits		**1,539,558**	24,035
Time deposits, bank balances and cash		**4,268,499**	10,689,322
Sales proceeds held by stakeholders		**33,725**	43,419
		15,504,448	20,301,235
Asset classified as held for sale		**-**	80,000
		15,504,448	20,381,235
Current liabilities			
Creditors and accruals	16	**765,027**	719,241
Securities trading and margin payable		**10,996**	73,197
Deposits and receipts in advance		**970,516**	566,738
Tax liabilities		**24,480**	137,741
Borrowings – due within one year		**10,006,667**	3,727,552
Provisions		**-**	16,054
Financial guarantee liabilities		**-**	290
		11,777,686	5,240,813
Net current assets		**3,726,762**	15,140,422
Total assets less current liabilities		**49,733,911**	49,815,547

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31st December, 2011

	2011	2010
	HK$'000	HK$'000
Equity attributable to owners of the Company		
Share capital	**190,762**	190,762
Securities investments reserve	**67,934**	102,715
Statutory reserve	**29,119**	9,314
Other reserve	**(7,259)**	(7,340)
Special reserve	**2,499,685**	2,499,685
Capital redemption reserve	**138,062**	138,062
Translation reserve	**961,487**	639,930
Retained profits		
- proposed final dividend	**19,076**	19,076
- others	**31,752,466**	29,915,662
	35,651,332	33,507,866
Non-controlling interests	**716,675**	702,985
Total equity	**36,368,007**	34,210,851
Non-current liabilities		
Financial guarantee liabilities	**91**	-
Borrowings – due after one year	**12,684,015**	14,982,958
Amounts due to associates	**183,689**	76,950
Amount due to a non-controlling shareholder	**14,430**	141,325
Deferred tax liabilities	**483,679**	403,463
	13,365,904	15,604,696
	49,733,911	49,815,547

1. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, which is a collective term that includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis, except for certain properties and financial instruments, which are measured at their fair values.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The accounting policies adopted in the consolidated financial statements for the Year are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31st December, 2010 except as described below.

In the current year, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1st January, 2011. The new HKFRSs adopted by the Group in the consolidated financial statements are set out below:

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

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transaction with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definition of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

The Group has early adopted 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 under HKAS 40 "Investment Property" for the financial year ended 31st December, 2010 and this change in accounting policy has been consistently applied in the consolidated financial statements.

Save as described above, the application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective.

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

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

HKFRS 9 "Financial Instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial Instruments" (as revised in November 2010) adds requirements for the financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either 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 accounting periods.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2015, with earlier application permitted. The application of HKFRS 9 might affect the classification, measurement and presentation of the Group's financial assets and financial liabilities.

HKFRS 13 "Fair Value Measurement" 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 1st January, 2013, with earlier application permitted. The application of the HKFRS 13 might affect the amounts reported and result in more extensive disclosures in the consolidated financial statements of the Group.

The Group is in the process of assessing the potential impact of these new and revised HKFRSs but is not yet in a position to determine whether these new and revised HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented. These new and revised HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. Revenue

Revenue represents the aggregate amounts received and receivable from property rental income, sales of properties held-for-sale, gains/losses from sales of investments held-for-trading, interest income from loan financing, commission from brokerage, settlement charges from brokerage and cosmetic goods sold less returns, analysed as follows:

	2011	2010
	HK$'000	HK$'000
Property rental income	**1,513,780**	1,126,260
Sales of properties held-for-sale	**189,906**	1,658,697
Losses on sales of investments held-for-trading	**(1,227,648)**	(148,507)
Interest income from loan financing	**25,729**	4,508
Brokerage and cosmetic income	**26,025**	30,054
	527,792	2,671,012

4. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has seven reportable segments – property development and trading, property leasing for retail, property leasing for non-retail, listed available-for-sale equity investments, listed investments held-for-trading and treasury products, floating rate and fixed rate notes and unlisted investments, investment holding and brokerage. The segmentations are based on the information about the operation of the Group that management uses to make decisions.

Principal activities are as follows:

Property development and trading	–	Property development and sales of trading properties
Property leasing		
- Retail	–	Property leasing from retail properties
- Non-retail	–	Property leasing from non-retail properties
Listed available-for-sale equity investments	–	Listed equity securities in available-for-sale investments
Listed investments held-for-trading and treasury products	–	Listed securities investments in investments held-for-trading, over-the-counter trading and structured products
Floating rate and fixed rate notes	–	Listed and unlisted floating rate notes and fixed rate notes in available-for-sale investments
Unlisted investments, investment holding and brokerage	–	Unlisted securities investments, trading and brokerage

The Group evaluates performance on the basis of profit or loss from operations after tax expense and non-controlling interests but not including the major non-cash items. The major non-cash items are fair value changes on investments properties together with their, if applicable, respective deferred tax. No intersegment revenue is accounted for as the intersegment revenue is mainly the rental income for administrative purpose.

The Group's measurement methods used to determine reported segment profit or loss remain unchanged from 2010.

The Group's reportable segments are strategic business units that operate different activities. They are managed separately because each business units has different market and requires different marketing strategies.

Further, the business units are also managed to operate in different countries separately. Revenue and result are attributed to countries on the basis of the properties located.

No major customer is for the Group's revenue and result.

Operating segment information is presented below:

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2011

	Property development and trading HK$'000	Property leasing Retail HK$'000	Property leasing Non-retail HK$'000	Listed available-for-sale equity investments HK$'000	Listed investments held-for-trading and treasury products HK$'000	Floating rate and fixed rate notes HK$'000	Unlisted investments, investment holding and brokerage HK$'000	All other segments HK$'000	Consolidated HK$'000
Major cash items excluding in revenue									
- Hong Kong	-	-	-	-	4,677,292	11,590	-	-	4,688,882
- other countries	-	-	-	-	6,936,215	-	-	-	6,936,215
	-	-	-	-	11,613,507	11,590	-	-	11,625,097
Revenue									
Revenue from external customers									
- Hong Kong	163,627	894,423	344,593	-	(1,071,617)	-	14,002	37,752	382,780
- Mainland China	26,279	42,973	39,941	-	-	-	-	-	109,193
- United Kingdom	-	5,274	186,576	-	168	-	-	-	192,018
- other countries	-	-	-	-	(156,199)	-	-	-	(156,199)
	189,906	942,670	571,110	-	(1,227,648)	-	14,002	37,752	527,792
Revenue from external customers after non-controlling interests	188,346	941,191	568,788	-	(1,227,648)	-	14,002	37,752	522,431
Attributable property sales from associates/investees - Hong Kong	3,231,229	-	-	-	-	-	-	-	3,231,229
Attributable rental revenue from associates									
- Hong Kong	-	13,185	26,827	-	-	-	-	-	40,012
- Mainland China	-	80,804	80,075	-	-	-	-	-	160,879
	3,419,575	1,035,180	675,690	-	(1,227,648)	-	14,002	37,752	3,954,551
Result									
Segment result									
- Hong Kong	75,881	842,033	328,873	-	(1,199,910)	11,047	113,932	40,112	211,968
- Mainland China	(21,679)	37,211	34,061	-	-	-	4,420	-	54,013
- United Kingdom	-	5,255	185,891	-	168	-	-	-	191,314
- other countries	-	-	-	-	(725,013)	-	-	-	(725,013)
	54,202	884,499	548,825	-	(1,924,755)	11,047	118,352	40,112	(267,718)
Share of results of associates									
- attributable property sales, net									
- Hong Kong	838,718	-	-	-	-	-	-	-	838,718
- attributable gross income									
- Hong Kong	-	13,185	26,827	-	-	-	-	3,128	43,140
- Mainland China	-	80,804	80,075	-	-	-	-	-	160,879
- attributable operating cost									
- Hong Kong	-	(4,141)	(6,832)	-	-	-	-	-	(10,973)
- Mainland China	-	(44,475)	(13,686)	-	-	-	-	-	(58,161)
Non-controlling interests	(1,349)	(1,154)	(2,129)	-	-	(5,442)	-	-	(10,074)
	891,571	928,718	633,080	-	(1,924,755)	5,605	118,352	43,240	695,811
Other income, net	10,514	-	-	-	-	-	-	-	10,514
Gain (loss) on disposal of investment properties	-	2,397	(452)	-	-	-	-	-	1,945
Finance costs	-	(3,116)	(110,247)	-	(46,103)	-	-	-	(159,466)
Share of results of associates									
- income tax and others	(12,810)	(28,424)	(42,843)	-	-	-	-	(1,342)	(85,419)
Other gains and losses, net									
- gain on disposal of a subsidiary	-	-	66,825	-	-	-	-	-	66,825
- others	(2,312)	-	(3,000)	-	-	-	-	-	(5,312)
Non-controlling interests	-	(708)	156	-	-	-	-	-	(552)
	886,963	898,867	543,519	-	(1,970,858)	5,605	118,352	41,898	524,346
Unallocated items									
Unallocated other gains and losses, net									16,752
Unallocated corporate expenses, net									(57,752)
Unallocated finance costs									(171,263)
Income tax expense									(92,510)
Unallocated non-controlling interests									(5,071)
Core profit (excluding major non-cash items)									214,502
Major non-cash items									
- fair value changes on investment properties (including share of results of associates and non-controlling interests)									3,306,950
- deferred tax expense									(23,636)
Profit for the year attributable to owners of the Company									3,497,816

Consolidated Statement of Financial Position

At 31st December, 2011

	Property development and trading HK$'000	Property leasing Retail HK$'000	Property leasing Non-retail HK$'000	Listed available-for-sale equity investments HK$'000	Listed investments held-for-trading and treasury products HK$'000	Floating rate and fixed rate notes HK$'000	Unlisted investments, investment holding and brokerage HK$'000	All other segments HK$'000	Consolidated HK$'000
Assets									
Segment assets									
- Hong Kong	1,869,331	23,765,719	7,187,653	-	515,415	187,089	367,235	47,889	33,940,331
- Mainland China and Macau	13,330,190	1,375,467	191,504	-	-	-	-	4,432	14,901,593
- United Kingdom	-	103,125	3,653,878	-	-	-	-	-	3,757,003
- other countries	-	-	-	-	5,426,082	-	-	-	5,426,082
Interests in associates									
- Hong Kong	462,934	49,431	728,247	-	-	-	2,378	3,098	1,246,088
- Mainland China	123,664	81,542	242,450	-	-	-	-	-	447,656
Advances to associates									
- Hong Kong	6,340	-	11,390	-	-	-	-	1,427	19,157
- Mainland China	962,083	78,621	558,781	-	-	-	-	-	1,599,485
Reportable segment assets	16,754,542	25,453,905	12,573,903	-	5,941,497	187,089	369,613	56,846	61,337,395
Unallocated corporate assets									174,202
Consolidated total assets									61,511,597
Liabilities									
Segment liabilities									
- Hong Kong	129,441	440,997	143,363	-	3,300,691	150	13,840	75,301	4,103,783
- Mainland China and Macau	831,517	18,984	15,594	-	-	-	-	1	866,096
- United Kingdom	-	88,151	3,173,826	-	-	-	-	-	3,261,977
- other countries	-	2	-	-	116	-	-	-	118
Reportable segment liabilities	960,958	548,134	3,332,783	-	3,300,807	150	13,840	75,302	8,231,974
Unallocated corporate liabilities									16,911,616
Consolidated total liabilities									25,143,590
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,680,285	110,804	3,423,835	-	-	-	-	1,505	

Other Material Items

For the year ended 31st December, 2011

	Reportable segments total HK$'000	Adjustments for unallocated HK$'000	Adjustments for major non-cash items HK$'000	Consolidated statement of comprehensive income total HK$'000
Interest income	779,809	-	-	779,809
Finance costs	(159,466)	(171,263)	-	(330,729)
Net income (expenses)	620,343	(171,263)	-	449,080
Depreciation	-	(17,225)	-	(17,225)
Fair value changes on investment properties	-	-	2,959,593	2,959,593
Share of results of associates	888,184	-	353,548	1,241,732
Income tax expenses	-	(92,510)	(23,636)	(116,146)
Non-controlling interests	(10,626)	(5,071)	(6,191)	(21,888)

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2010

	Property development and trading HK$'000	Property leasing Retail HK$'000	Property leasing Non-retail HK$'000	Listed available-for-sale equity investments HK$'000	Listed investments held-for-trading and treasury products HK$'000	Floating rate and fixed rate notes HK$'000	Unlisted investments, investment holding and brokerage HK$'000	All other segments HK$'000	Consolidated HK$'000
Major cash items excluding in revenue									
- Hong Kong	-	-	-	-	4,313,612	-	-	-	4,313,612
- other countries	-	-	-	-	3,596,584	-	-	-	3,596,584
	-	-	-	-	7,910,196	-	-	-	7,910,196
Revenue									
Revenue from external customers									
- Hong Kong	608,305	719,223	327,699	-	(212,517)	-	17,944	16,618	1,477,272
- Mainland China	1,050,392	41,969	37,369	-	-	-	-	-	1,129,730
- other countries	-	-	-	-	64,010	-	-	-	64,010
	1,658,697	761,192	365,068	-	(148,507)	-	17,944	16,618	2,671,012
Revenue from external customers after non-controlling interests	1,629,033	759,896	362,918	-	(148,507)	-	17,944	16,618	2,637,902
Attributable property sales from associates/investee - Hong Kong	35,068	-	-	-	-	-	-	-	35,068
Attributable rental revenue from associates									
- Hong Kong	-	3,244	22,273	-	-	-	-	-	25,517
- Mainland China	-	71,286	49,614	-	-	-	-	-	120,900
	1,664,101	834,426	434,805	-	(148,507)	-	17,944	16,618	2,819,387
Result									
Segment result									
- Hong Kong	207,290	680,795	315,867	138,122	(249,772)	7,411	106,538	36,727	1,242,978
- Mainland China	211,568	36,298	32,638	-	-	-	4,046	-	284,550
- other countries	-	-	-	-	727,849	-	-	-	727,849
	418,858	717,093	348,505	138,122	478,077	7,411	110,584	36,727	2,255,377
Share of results of associates									
- attributable property sales, net - Hong Kong	12,536	-	-	-	-	-	-	-	12,536
- attributable gross income									
- Hong Kong	-	3,244	22,273	-	-	-	-	1,994	27,511
- Mainland China	-	71,286	49,614	-	-	-	-	-	120,900
- attributable operating cost									
- Hong Kong	-	(1,614)	(6,575)	-	-	-	-	-	(8,189)
- Mainland China	-	(40,255)	(14,097)	-	-	-	-	-	(54,352)
Non-controlling interests	(22,501)	(965)	(1,918)	-	-	(3,235)	-	-	(28,619)
	408,893	748,789	397,802	138,122	478,077	4,176	110,584	38,721	2,325,164
Other income, net	503	-	-	-	-	-	100	-	603
Loss on disposal of investment property	-	-	(4)	-	-	-	-	-	(4)
Finance income	-	-	-	-	58,595	-	-	-	58,595
Share of results of associates - income tax and others	(20,669)	(38,323)	(27,298)	-	-	-	-	(1,158)	(87,448)
Other gains and losses, net									
- gain on bargain purchase of a subsidiary	-	13,000	-	-	-	-	-	-	13,000
- fair value loss on step acquisition of a subsidiary	-	(7,253)	-	-	-	-	-	-	(7,253)
- gain on disposals of subsidiaries	-	13,477	-	-	-	-	-	-	13,477
	388,727	729,690	370,500	138,122	536,672	4,176	110,684	37,563	2,316,134
Unallocated items									
Unallocated other gains and losses, net									643
Unallocated corporate expenses, net									(147,789)
Unallocated finance costs									(127,081)
Income tax expense									(151,682)
Unallocated non-controlling interests									509
Core profit (excluding major non-cash items)									1,890,734
Major non-cash items									
- fair value changes on investment properties (including share of results of associates and non-controlling interests)									(10,780,059)
- deferred tax credit									31,080
Loss for the year attributable to owners of the Company									(8,858,245)

Consolidated Statement of Financial Position

At 31st December, 2010

	Property development and trading HK$'000	Property leasing Retail HK$'000	Property leasing Non-retail HK$'000	Listed available-for-sale equity investments HK$'000	Listed investments held-for-trading and treasury products HK$'000	Floating rate and fixed rate notes HK$'000	Unlisted investments, investment holding and brokerage HK$'000	All other segments HK$'000	Consolidated HK$'000
Assets									
Segment assets									
- Hong Kong	2,129,367	22,583,662	9,556,780	-	2,151,873	280,456	453,300	269,549	37,424,987
- Mainland China and Macau	7,806,833	1,032,898	334,947	-	-	-	-	4,960	9,179,638
- other countries	-	-	5,502	-	5,664,159	-	-	-	5,669,661
Interests in associates									
- Hong Kong	93,861	63	696,170	-	-	-	186	2,176	792,456
- Mainland China	73,421	171,710	6,469	-	-	-	-	-	251,600
Advances to associates									
- Hong Kong	1,678	-	22,941	-	-	-	2	1,405	26,026
- Mainland China	954,231	79,181	504,249	-	-	-	-	-	1,537,661
Reportable segment assets	11,059,391	23,867,514	11,127,058	-	7,816,032	280,456	453,488	278,090	54,882,029
Unallocated corporate assets									174,331
Consolidated total assets									55,056,360
Liabilities									
Segment liabilities									
- Hong Kong	106,975	554,309	127,771	-	2,682,141	150	74,480	20,738	3,566,564
- Mainland China and Macau	459,294	18,494	13,129	-	-	-	-	1	490,918
- other countries	-	-	13	-	-	-	-	-	13
Reportable segment liabilities	566,269	572,803	140,913	-	2,682,141	150	74,480	20,739	4,057,495
Unallocated corporate liabilities									16,788,014
Consolidated total liabilities									20,845,509
Additions to non-current assets (other than financial instruments and deferred tax assets)	642,952	486,334	643,415	-	-	-	-	173	

Other Material Items

For the year ended 31st December, 2010

	Reportable segments total HK$'000	Adjustments for unallocated HK$'000	Adjustments for major non-cash items HK$'000	Consolidated statement of comprehensive income total HK$'000
Interest income	475,515	-	-	475,515
Finance income (costs)	58,595	(127,081)	-	(68,486)
Net income (expenses)	534,110	(127,081)	-	407,029
Depreciation	-	(20,049)	-	(20,049)
Fair value changes on investment properties	-	-	(10,831,293)	(10,831,293)
Share of results of associates	10,958	-	45,622	56,580
Income tax (expense) credit	-	(151,682)	31,080	(120,602)
Non-controlling interests	(28,619)	509	5,612	(22,498)

5. Other Income

	2011 HK$'000	2010 HK$'000
Included in other income are:		
Building management fee income	**138,700**	96,092
Building management fee expenses	**(128,676)**	(67,566)
	10,024	28,526
Forfeiture of deposits received on sales of properties	**252**	503
Arrangement fee income	**194,966**	66,116
Management and maintenance service income	**7,919**	8,641
Exchange gain, net	**6,826**	-

6. Investment (Expenses) Income, Net

	2011 HK$'000	2010 HK$'000
Financial assets at fair value through profit or loss classified as held-for-trading:		
Unrealised loss arising on change in fair value of investments held-for-trading	**(138,768)**	(59,130)
Financial assets designated as at fair value through profit or loss:		
Unrealised (loss) gain arising on change in fair value of bonds	**(1,229,503)**	249,343
Realised loss arising on change in fair value of bonds	**(20,978)**	(27,279)
Net (loss) gain arising on change in fair value of financial assets designated as at fair value through profit or loss	**(1,250,481)**	222,064
Financial liabilities at fair value through profit or loss classified as held-for-trading:		
Realised gain arising on change in fair value of derivative financial instruments	**-**	3,238
Transfer from equity on disposals of available-for-sale investments:		
Listed equity securities	**-**	106,685
Unlisted debt securities	**(34)**	-
Other investment income	**-**	3,583
Dividend income on:		
Listed investments		
- available-for-sale investments	**-**	31,437
- other listed investments	**12,709**	51,524
Unlisted investments	**45,356**	33,720
Interest income	**753,495**	470,171
Imputed interest income on:		
Advances to associates	**14,080**	14,271
Advance to a non-controlling shareholder	**328**	328
	(563,315)	877,891

Included in interest income are interests from bonds, listed floating rate notes and unlisted floating rate and fixed rate notes of approximately HK$679,433,000, HK$1,175,000 and HK$7,641,000 respectively (year ended 31st December, 2010: bonds HK$406,326,000, listed floating rate notes HK$1,225,000 and unlisted floating rate and fixed rate notes HK$8,206,000 and interest expenses on derivative financial instruments HK$1,021,000).

7. Other Expenses

	2011	2010
	HK$'000	HK$'000
Included in other expenses are:		
Amortisation of intangible assets	**2,860**	2,860
Expenses for specific transactions	**3,021**	6,916
Transaction cost in relation to acquisition of subsidiaries	**13,381**	-

8. Profit (Loss) for the Year

	2011	2010
	HK$'000	HK$'000
Profit (loss) for the year has been arrived at after (charging) crediting:		
Total staff costs:		
Staff costs, including Directors' emoluments	**(167,982)**	(144,691)
Retirement benefits scheme contributions, net of forfeited contributions of HK$483,000 (2010: HK$397,000)	**(7,694)**	(6,449)
	(175,676)	(151,140)
Auditors' remuneration	**(3,297)**	(3,079)
Exchange loss, net	**-**	(6,437)
Depreciation	**(17,225)**	(20,049)
Cost of trading properties recognised	**(137,148)**	(1,128,564)
Cost of cosmetic products recognised	**(3,735)**	(4,564)
Share of tax of associates (included in share of results of associates)	**(191,950)**	1,090
Gross proceeds on sale of investments held-for-trading	**4,956,707**	7,910,196
Carrying amount on investments held-for-trading disposed	**(6,176,736)**	(8,044,191)
Transaction cost on investments held-for-trading disposed	**(7,619)**	(14,512)
Net loss on sale of investments held-for-trading included in revenue	**(1,227,648)**	(148,507)
Gross rental income from investment properties	**1,513,780**	1,126,260
Less: Direct operating expenses from investment properties that generated rental income during the year	**(74,351)**	(60,309)
Direct operating expenses from investment properties that did not generate rental income during the year	**(6,105)**	(353)
	1,433,324	1,065,598

9. Finance Costs

	2011 HK$'000	2010 HK$'000
Interest on:		
Bank loans wholly repayable within five years	**309,699**	146,902
Bank loans wholly repayable over five years	**-**	1,302
Other loans wholly repayable within five years	**26,181**	5,497
Amount due to a non-controlling shareholder	**-**	1,849
	335,880	155,550
Imputed interest on:		
Amounts due to associates	**1,994**	465
Amount due to a non-controlling shareholder	**5,444**	2,894
	7,438	3,359
Total interest	**343,318**	158,909
Exchange loss (gain) on translation of foreign currency loans	**7,922**	(64,092)
Other finance costs	**44,399**	16,798
	395,639	111,615
Less: Interest capitalised to stock of properties under development	**(62,832)**	(39,782)
Interest capitalised to investment properties under development	**(2,078)**	(3,347)
	330,729	68,486

10. Other Gains and Losses, Net

	2011 HK$'000	2010 HK$'000
Included in other gains and losses, net are:		
Reversal of contingency provision *(Note 1)*	**16,054**	-
Gain on disposal of subsidiaries *(Note 2)*	**66,825**	13,477
Write-down of stock of properties	**(2,312)**	-
Impairment loss reversed in respect of advance to an associate	**-**	653
Gain on bargain purchase of a subsidiary *(Note 3)*	**-**	13,000
Fair value loss on step acquisition of a subsidiary	**-**	(7,253)

Notes:
1. *Reversal of the provision for construction cost of the Group's liability on contingency claims by a third party to whom a property under development project previously disposed of.*
2. *Gain on disposal of a subsidiary for the Year arose from a connected transaction in relation to the disposal of an investment property located at No. 3 Deep Water Bay Road to the company (year ended 31st December, 2010: disposals of subsidiaries in relation to the disposal of three investment properties including various shops at Excelsior Plaza, Laforet and Southorn Centre to those companies) wholly-owned by a Director and a substantial shareholder.*
3. *Gain on bargain purchase of a subsidiary arose from acquisition of remaining 50% interest in an associate.*

11. Income Tax Expense

	2011 HK$'000	2010 HK$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**65,286**	77,035
Other than Hong Kong	**9,669**	54,844
	74,955	131,879
(Overprovision) underprovision in prior years:		
Hong Kong Profits Tax	**(67,344)**	6,999
Other than Hong Kong	**31**	-
	(67,313)	6,999
Deferred tax:		
Current year charge (credit)	**108,504**	(18,276)
	116,146	120,602

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the Year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

12. Dividends

	2011 HK$'000	2010 HK$'000
(a) Final dividend for 2010 paid on 8th June, 2011 of HK1 cent (2009: HK1 cent) per share	**19,076**	19,500
(b) Interim dividend for 2011 paid on 14th September, 2011 of HK1 cent (2010: nil) per share	**19,076**	-
(c) No special dividend for 2011 (2010: HK40 cents per share)	**-**	763,048
Total dividends paid	**38,152**	782,548

Final dividend of HK1 cent (2010: HK1 cent) per share has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

13. Earnings (Loss) per Share

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the following data:

	2011	2010
	HK$'000	HK$'000
Earnings (loss):		
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share		
Profit (loss) for the year attributable to owners of the Company	**3,497,816**	(8,858,245)

	Number of shares	
Number of shares:	**2011**	2010
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**1,907,619,079**	1,925,225,796

Diluted earnings (loss) per share for the years ended 31st December, 2011 and 2010 were the same as the basic earnings (loss) per share as there were no diluting events during both years.

14. Investment Properties

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

Property valuations as at 31st December, 2011 and 31st December, 2010 were carried out by Messrs. B.I. Appraisals Limited ("B.I. Appraisals"), independent qualified professional valuers, in respect of the Group's investment properties in Hong Kong and the Mainland China. For the investment property in United Kingdom which was acquired by the Group in January 2011, the valuation as at 31st December, 2011 was carried out by Messrs. Peak Vision Appraisals Limited ("Peak Vision Appraisals"), another independent qualified professional valuers. Both valuers have recent relevant experience in the valuation of similar properties in the relevant locations.

The valuation reports for the investment properties at 31st December, 2011 are signed by the respective director of B.I. Appraisals and Peak Vision Appraisals who are members of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors. The valuations are performed in accordance with "The Hong Kong Institute of Surveyors Valuation Standards on Properties (1st Edition 2005)" published by The Hong Kong Institute of Surveyors and the "Royal Institution of Chartered Surveyors Valuation Standards (7th Edition 2011)" published by the Royal Institution of Chartered Surveyors.

The fair value of each investment property is individually determined at the end of each reporting period based on its market value and by adopting investment method, and/or direct comparison method, as appropriate. The valuation was relied on the discounted cash flow analysis and the capitalisation of income approach. The investment method is based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current term leases, term yield rate, assumptions about rental income from future reversion leases in light of current market conditions, the assumed occupancy rate and reversionary yield rate. Judgment by the valuers is required to determine the principal valuation factors, including term yield rate and reversionary yield rate. Such yield rates were adopted after considering the investment sentiments and market expectations of properties of similar nature. Direct comparison method assumes each of these properties is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets.

For the Group's investment properties under development, their fair value reflects the expectations of market participants of the value of the properties when they are completed, less deductions for the costs required to complete the projects and appropriate adjustments for profit and risk. The key assumptions include present value of completed properties, period of development, outstanding construction costs, finance costs, other professional costs, risk associated with completing the projects and generating income after completion and investors' return as a percentage of value or cost.

For the Group's investment properties under construction at cost, when their fair value were not reliably measurable, they were measured at cost, less any impairment loss, until the earlier of the date of construction is completed and the date at which fair value become reliably measurable.

15. Debtors, Deposits and Prepayments

Included in debtors, deposits and prepayments are trade receivables of approximately HK$12,839,000 (31st December, 2010: HK$27,207,000) comprised rental receivables billed in advance and settlements from tenants are expected upon receipts of billings and properties sales proceeds receivables.

The following is the aged analysis of trade receivables (net of allowance for doubtful debts) at the end of the reporting period:

	2011	2010
	HK$'000	HK$'000
0 - 30 days	**3,150**	17,546
31 - 60 days	**977**	576
61 - 90 days	**588**	50
Over 90 days	**8,124**	9,035
	12,839	27,207

The Directors consider that the carrying amounts of the Group's debtors, deposits and prepayments at the end of the reporting period approximate to their fair values.

16. Creditors and Accruals

Included in creditors and accruals are trade payables of approximately HK$520,513,000 (31st December, 2010: HK$418,462,000).

The following is the aged analysis of trade payables at the end of the reporting period:

	2011	2010
	HK$'000	HK$'000
0 - 90 days	**82,250**	222,972
Over 90 days	**438,263**	195,490
	520,513	418,462

The Directors consider that the carrying amounts of the Group's creditors and accruals at the end of the reporting period approximate to their fair values.

17. Acquisition of Subsidiaries

Acquisition of River Court Holdings Limited and its subsidiaries ("River Court Group")

On 14th January, 2011, the Group entered into a sale and purchase agreement with independent third parties, in relation to the acquisition of 100% equity interests in River Court Holdings Limited, which indirectly held the freehold office building, namely River Court, located at 116-129 Fleet Street, Midtown, London, United Kingdom at a consideration of GBP37.8 million, equivalent to approximately HK$453.4 million ("Acquisition"). The Acquisition was completed on 14th January, 2011.

The recognised amounts of identifiable assets acquired and liabilities assumed as at the date of the Acquisition are as follows:

	Fair Value HK$'000
Net assets acquired:	
Investment property - River Court	3,362,492
Debtors and prepayments	62
Bank balances and cash	64,552
Secured bank loan	(3,253,087)
Deposits and receipt in advance	(35,964)
Creditors and accruals	(50,136)
Tax liabilities	(30)
Deferred tax asset	42,609
	130,498
Goodwill	322,938
Total consideration	453,436
Satisfied by:	
Cash consideration paid	453,436
Net cash outflow arising on acquisition:	
Cash consideration paid	453,436
Bank balances and cash acquired	(64,552)
	388,884

Goodwill can be attributable to the anticipated profitability of the acquired business. None of the goodwill recognised is expected to be deductible for income tax purposes. Acquisition-related costs amounting to HK$13.3 million was recognised in "Other Expenses" (Note 7) in the consolidated statement of comprehensive income.

The fair value of debtors and prepayments include debtors with a fair value and gross contractual amount receivable of GBP5,000 (equivalent to approximately HK$62,000).

Since the Acquisition, River Court Group contributed revenue of HK$191.9 million and profit of HK$135.1 million to the Group for the Year. If the Acquisition had occurred on 1st January, 2011, the consolidated revenue and consolidated profit of the Group for the Year would have been increased by approximately HK$6.8 million and HK$2.5 million respectively.

18. Disposal of a Subsidiary

Disposal of a subsidiary to connected person

On 7th November, 2011, the Group entered into a sale and purchase agreement with Marvel Ocean Limited which is wholly-owned by a Director and a substantial shareholder of the Company, to dispose Easy Harbour Limited ("Connected Transaction"), at a consideration of approximately HK$497.2 million and was completed on 7th November, 2011.

The net liabilities of the Connected Transaction at the date of disposal were as follows:

	Fair Value HK$'000
Investment property	860,000
Bank balances	2,042
Amounts due to the Group	(497,282)
Bank borrowings	(430,000)
Deposits and receipt in advance	(1,406)
Creditors and accruals	(223)
Net liabilities disposed of	(66,869)
Repayments of amounts due to the Group	497,282
Gain on disposal of a subsidiary	66,825
Cash consideration	497,238
Satisfied by:	
Cash received	497,238
Expenses incurred for disposal	(92)
	497,146
Net cash inflow arising on disposal:	
Cash consideration	497,238
Expenses incurred for disposal	(92)
Bank balances disposed of	(2,042)
	495,104

The gain on disposal of a subsidiary was included in "Other Gains and Losses, Net" (Note 10) in the consolidated statement of comprehensive income.

19. Transaction with a Non-controlling Interest

(a) Acquisition of additional interest in Moon Ocean Ltd. ("Moon Ocean")

On 28th March, 2011, the Group entered into a sale and purchase agreement with an independent third party to acquire 2,999 non-voting deferred shares in Moon Ocean, representing 29.99% of the entire issued share capital of Moon Ocean, at a total cash consideration of HK$1,600 million ("Consideration"). Moon Ocean is the owner of the leasehold interest in the land located at Avenida Wai Long, Taipa, Macau which is a stock of property under development held for sale ("Development"). As a result of the acquisition, the Group owns 100% of Moon Ocean and the Development. The acquisition was completed on 28th March, 2011. The carrying amount of the non-controlling interest in Moon Ocean on the date of acquisition was HK$23,000. The Group recognised a decrease in non-controlling interest of HK$23,000 and a decrease in equity attributable to owners of the Company of HK$1,599,977,000. Stock of properties is stated at lower of cost and net realisable value while the non-controlling interest is stated at cost of equity investment plus its proportionate share of carrying amount of the net assets (if any). The Consideration is determined by reference to, among other things, the market value of the Development.

(b) Effect of change in ownership interest in Moon Ocean without change of control on the equity attributable to owners of the Company for the Year.

	HK$'000
Total comprehensive income for the Year attributable to owners of the Company	3,784,673
Change in equity attributable to owners of the Company arising from acquisition of additional interest in Moon Ocean	(1,599,977)
Net effect for change in ownership interest in Moon Ocean without change of control on equity attributable to owners of the Company	2,184,696

20. Capital Commitments and Contingent Liabilities

	2011 HK$'000	2010 HK$'000
(a) Capital commitments:		
Authorised and contracted for:		
Development expenditure of properties in Hong Kong	**314,274**	520,744
Development expenditure of properties in Mainland China	**5,164,854**	1,813,500
Development expenditure of properties in Macau	**500,873**	100,701
Share of commitment of an associate	**71,164**	43,238
Renovation of properties	**19,387**	45,832
	6,070,552	2,524,015
Authorised but not contracted for:		
Development expenditure of properties in Hong Kong	**205,320**	205,320
(b) Contingent liabilities:		
Guarantees given to banks, in respect of banking facilities utilised by associates and an investee company	**1,068,100**	1,100,100
Guarantee given to a bank in respect of banking facilities in lieu of the cash public utility deposit jointly utilised by subsidiaries	**15,000**	15,000
Repurchase guarantee given to banks in respect of mortgages facilities given to property purchasers by subsidiaries	**94,399**	9,235
	1,177,499	1,124,335

21. Comparative Figures

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

DIVIDEND

In order to maintain a continuous dividend payment record, the Board has recommended the payment of a nominal final dividend of HK1 cent per share for the Year (the "Final Dividend") (2010: HK1 cent). The Board considers that it is necessary to adopt a conservative dividend policy by maintaining a higher cash reserve in view of the fluctuation of global capital market since early August 2011.

Subject to shareholders' approval at the forthcoming annual general meeting of the Company to be held on 25th May, 2012 (the "2012 AGM"), dividend warrants will be posted on or about 13th June, 2012 to shareholders whose names appear on the register of members of the Company on 1st June, 2012.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the members' eligibility to attend and vote at the 2012 AGM, and entitlement to the recommended Final Dividend, the register of members will be closed during the following periods respectively:

(a) ***For ascertaining eligibility to attend and vote at the 2012 AGM:***

Latest time to lodge transfers documents for registration	4:30 p.m. on 21st May, 2012
Closure of register of members	22nd May, 2012 to 25th May, 2012 (both days inclusive)

(b) ***For ascertaining entitlement to the recommended Final Dividend:***

Latest time to lodge transfers documents for registration	4:30 p.m. on 30th May, 2012
Closure of register of members	31st May, 2012 to 1st June, 2012 (both days inclusive)
Record date	1st June, 2012

To be eligible to attend and vote at the 2012 AGM, and to qualify for the recommended Final Dividend, all properly completed share transfers documents accompanied by the relevant share certificates must be lodged for registration with the Company's Branch Registrar and Transfer Office in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than the respective latest time as stated above.

FINANCIAL OPERATION REVIEW

Results

Revenue

Revenue for the Year amounted to HK$527.8 million (year ended 31st December, 2010: HK$2,671.0 million), a 80.2% decrease over last year and comprised gross rental income HK$1,513.8 million (year ended 31st December, 2010: HK$1,126.3 million); property sales HK$189.9 million (year ended 31st December, 2010: HK$1,658.7 million), loss on sales of investments held-for-trading on a net basis HK$1,227.6 million (year ended 31st December, 2010: HK$148.5 million) and others HK$51.7 million (year ended 31st December, 2010: HK$34.5 million). The decrease in revenue was mainly due to the decrease in sales of development properties and increase in recognised loss on listed securities investments.

Gross Profit

Gross profit for the Year amounted to HK$283.3 million (year ended 31st December, 2010: HK$1,351.0 million), a 79.0% decrease as compared with last year, mainly due to an increase in loss of HK$1,079.1 million from sale of listed securities investments and a decrease in profit of HK$375.5 million in property sales, which were partially offset by an increase in profit of HK$367.7 million from property leasing.

Property Leasing

For property leasing, follow the completion of renovation of Windsor House and the opening of The ONE in mid 2010 and the acquisition of River Court in London in January 2011, the rental revenue in retail section jumped by 23.8% to HK$942.7 million and rental revenue in non-retail section jumped by 56.4% to HK$571.1 million respectively during the Year. The total rental income in revenue for the Year recorded an increase of 34.4% to HK$1,513.8 million as compared with 2010 of HK$1,126.3 million. If the rental income from River Court is excluded, the total rental income still has splendid increase of 17.4% over 2010.

Together with the attributable rental revenue generated from associates of HK$200.9 million (year ended 31st December, 2010: HK$146.4 million), the total attributable rental revenue to the Group after non-controlling interests reached approximately HK$1,710.9 million (year ended 31st December, 2010: HK$1,269.2 million), which achieved an 34.8% increase over last year.

Attributable net rental income for the Year showed HK$1,561.8 million, an 36.2% increase over HK$1,146.6 million in 2010.

Property Development and Trading

Properties sales continuously made remarkable contribution to the recognised profit attributable to the Group for the Year. The overwhelming presale of Phase I of Splendid City in Chengdu had generated significant profit to the Group in 2010, while presale of Hermitage in West Kowloon (25% interest) continued to provide significant profit recognised for the Year. Following the presales of the properties, namely One WanChai in Wanchai (87.5% interest), The Coronation in West Kowloon (15% interest), Phase I of The Metropolis and Phase II of Splendid City in Chengdu as well as the presale of La Scala in Macau, the Group expects a continuous generation of sales revenue and recognition of attributable profit in the coming years of 2012 to 2014. Profit on presale of uncompleted properties will be recognised in the year in which the sales agreement completed.

During the Year, the attributable properties sales revenue and the relevant attributable profit from the Group and its associates recorded a satisfactory increase of 105.5% to HK$3,419.6 million (year ended 31st December, 2010: HK$1,664.1 million) and increase of 118.0% to HK$891.6 million (year ended 31st December, 2010: HK$408.9 million) respectively. The growth was mainly attributed to the recognition of sales of Hermitage.

The major components recorded in gross profit are sales of: MOD 595 in Mongkok generated a profit of HK$4.2 million (year ended 31st December, 2010: loss of HK$2.2 million); i-home in Tai Kok Tsui generated a profit of HK$11.3 million (year ended 31st December, 2010: HK$67.5 million); Phase I of Splendid City, after taking into account of an underprovision of construction costs of HK$23.0 million, resulting in a loss of

HK$21.7 million (year ended 31st December, 2010: profit of HK$211.6 million) and York Place in Wanchai generated a profit of HK$38.5 million (year ended 31st December, 2010: HK$71.9 million). Profit/loss represented sales revenue less cost. York Place was previously an investment property and was transferred to stock of properties in 2008 at its then market value. For the units sold and recognised in the Year, the cost included a valuation surplus of HK$34.7 million (year ended 31st December, 2010: HK$85.1 million). If the valuation surplus is excluded from the cost, a profit of HK$73.2 million (year ended 31st December, 2010: HK$157.0 million) would be resulted.

Parking spaces at The Zenith in Wanchai (87.5% interest) sold during the Year had contributed an attributable profit to the Group of HK$6.0 million (year ended 31st December, 2010: The Zenith and Gemstar Tower in Hunghom (61.96% interest) is HK$12.9 million and HK$30.5 million respectively).

In respect of properties held by associates, The Hermitage in West Kowloon (25% interest), Hing Wai Centre in Aberdeen (50% interest), Kwong Kin Trade Centre in Tuen Mun (40% interest) and Villa Carlton in Cheung Sha Wan (50% interest) generated profit of HK$834.6 million, HK$1.6 million, HK$0.4 million and HK$0.2 million respectively (year ended 31st December, 2010: Hing Wai Centre of HK$4.0 million, Indihome in Tsuen Wan (50% interest) of HK$1.3 million, Miami Crescent in Sheung Shui (50% interest) HK$4.4 million and Park Mansion in Ngau Tau Kok (35% interest) of HK$0.4 million) was reflected in the share of results of associates. For the sale of Parc Palais in Homantin (10% interest), a contribution of HK$16.5 million (year ended 31st December, 2010: HK$5.7 million) was recorded in investment income.

During the Year, the forfeited deposits received for Splendid City HK$0.1 million (year ended 31st December, 2010: HK$0.5 million) and The Metropolis HK$0.1 million (year ended 31st December, 2010: nil) were recorded in other income.

At 31st December, 2011, deposits received from stock of properties contracted to be sold and revenue to be recognised in 2012 amounted to HK$375.5 million. Of which, HK$352.5 million deposits were received from Phase I of The Metropolis and Phase II of Splendid City, with average selling price of approximately RMB1.3 million and RMB0.9 million per unit respectively. The presale recorded for Phase I of The Metropolis and Phase II of Splendid City were 178 units of RMB233.9 million (equivalent to HK$287.7 million) and 143 units of RMB129.9 million (equivalent to HK$159.8 million) respectively, profits of which are expected to be recognised in 2012. Besides, the presale recorded for One WanChai (87.5% interest) at 31st December, 2011 was 21 units of HK$229.7 million, and the attributable interest of sales to the Group was HK$200.9 million. Revenue and profit from sales of One WanChai are expected to be recognised in 2012.

In summary, the Group together with associates and an investee company, executed properties sale agreements, including presale agreements, to third parties with an attributable amount contracted sales of HK$1,176.4 million (year ended 31st December, 2010: HK$4,791.5 million) during the Year. Attributable property sale profit in total recognised in the Year was HK$891.6 million (year ended 31st December, 2010: HK$408.9 million).

Securities Investments

Under the low interest environment, the Group has closely managed the securities investments with a view to yield enhancement. In March and June 2011, the Group has subscribed RMB2 billion senior secured guaranteed bonds due 2014 and US$150 million senior notes due 2015 issued by Kaisa Group Holdings Ltd. with interest rate at 8.5% per annum and 13.5% per annum respectively, announcements in respect of the subscriptions had been made on 20th January, 2011 and 23rd May, 2011 respectively.

In view of the uncertainty and volatility in the securities market, the Group disposed part of the listed equity securities during the Year with gross proceeds of HK$4,956.7 million and recognised a realised loss of HK$1,227.6 million (year ended 31st December, 2010: HK$148.5 million) on listed investments held-for-trading, the loss of which was included in revenue. In addition, sale of bonds during the Year had resulted in a realised loss of HK$21.0 million (year ended 31st December, 2010: realised loss on bonds of HK$27.2 million and realised gain on release of fair value liability on the maturity of derivative financial instruments of HK$3.2 million). The total realised loss for the Year was HK$1,248.6 million (year ended 31st December, 2010: HK$172.5 million).

Furthermore, the Group recorded an unrealised loss of HK$1,368.3 million (year ended 31st December, 2010: gain of HK$190.2 million) representing the changes on the fair value of listed securities and bonds, which had no effect to the cash flow of the Group.

During the Year, there is no disposal on listed equity securities included in available-for-sale investments (year ended 31st December, 2010: gain of HK$106.7 million).

Summing up the above and adding the net income from dividend, interest income and other finance costs of HK$646.0 million (year ended 31st December, 2010: HK$550.4 million), the loss recognised on listed securities investments was HK$1,970.9 million (year ended 31st December, 2010: gain of HK$674.8 million).

The respective income/expense from securities investments under different categories are further elaborated below.

Listed Available-for-sale Equity Investments

The Group had not disposed any listed available-for-sale equity investments for the Year. (A realised gain on disposal of listed available-for-sale equity investments of HK$106.7 million and dividend income of HK$31.4 million were recognised in the year ended 31st December, 2010 as an investment income).

Listed Investments Held-for-trading and Treasury Products

The listed investments held-for-trading and treasury products recorded a loss before or after finance costs of HK$1,924.8 million (year ended 31st December, 2010: profit before finance income of HK$478.1 million) and HK$1,970.9 million (year ended 31st December, 2010: profit after finance income of HK$536.7 million) respectively for the Year.

Loss from the listed investments held-for-trading reflected in the consolidated statement of comprehensive income for the Year comprised a gross loss of totaling HK$1,227.6 million (year ended 31st December, 2010: HK$148.5 million), an unrealised loss on fair value changes amounted to HK$1,368.3 million (year ended 31st December, 2010: gain of HK$190.2 million), a realised loss on bonds of HK$21.0 million (year ended 31st December, 2010: HK$27.2 million), no transaction of derivative financial instruments (year ended 31st December, 2010: realised gain on release of fair value liability on the maturity of derivative financial instruments of HK$3.2 million) and dividend and interest income of HK$692.1 million (year ended 31st December, 2010: other investment income of HK$3.6 million and dividend and interest income of HK$456.8 million). Net relevant finance cost for the Year of HK$46.1 million (year ended 31st December, 2010: net finance income of HK$58.6 million) including interest expense; exchange loss and other finance costs of HK$26.2 million (year ended 31st December, 2010: HK$5.5 million); HK$7.9 million (year ended 31st December, 2010: exchange gain of HK$64.1 million) and HK$12.0 million (year ended 31st December, 2010: nil) respectively.

Other Comprehensive Income from Listed Available-for-sale Equity Investments

During the Year, no transaction of the listed equity securities included in available-for-sale investments (year ended 31st December, 2010: addition of fair value of HK$67.0 million was recognised in other comprehensive income as an equity transaction of securities investments reserve).

Unlisted Securities Investment

The acquisition of unlisted equity investment in Grandday Group Limited ("Grandday") of HK$3,889.0 million during the Year was carried at cost less impairment if any. There is no impairment made or dividend income received from Grandday during the Year.

Other Income and Expenses

Other income mainly comes from net building management fee income, arrangement fee income and management and maintenance service income increased to HK$257.5 million (year ended 31st December, 2010: HK$124.9 million), representing an increase of 106.2% as compared with last year.

During the Year, administrative expenses increased by 18.9% to HK$273.2 million (year ended 31st December, 2010: HK$229.8 million) and finance costs increased by 382.8% to HK$330.7 million (year ended 31st December, 2010: HK$68.5 million), including exchange loss of HK$7.9 million (year ended 31st December, 2010: gain of HK$64.1 million) on foreign currency loan hedged for foreign currency securities investments.

Other gains and losses recorded a net gain of HK$78.3 million including reversal of provision for construction cost of the Group's liability on contingency claims made in prior years of HK$16.1 million and gain on disposal of a subsidiary to a connected person of HK$66.8 million (year ended 31st December, 2010: HK$19.9 million including gain on bargain purchase of a subsidiary of HK$13.0 million, fair value loss on step acquisition of a subsidiary of HK$7.3 million and gain on disposals of subsidiaries to connected person of HK$13.5 million).

Disposal of a Subsidiary to a Connected Person

On 7th November, 2011, the Group entered into an sale and purchase agreement with a company, which is wholly-owned by a director and a substantial shareholder of the Company, to dispose or procure the sale of the sale share and sale loan of a subsidiary ("Disposal") at a consideration of approximately HK$497.2 million, resulting in a gain of HK$66.8 million. There is a corresponding decrease in fair value of HK$66.8 million recorded in fair value change of investment properties upon disposal during the Year. The principal asset of the subsidiary under the Disposal was an investment property located at No. 3 Deep Water Bay Road, Hong Kong which was acquired by the Group on 17th August, 2011.

Associates

The share of results of associates for the Year was a profit of HK$1,241.7 million as compared HK$56.6 million last year, which was mainly due to the recognition on sale of The Hermitage and the increase in fair value of investment properties.

Fair Value Changes on Investment Properties

Investment properties of the Group in Hong Kong and Mainland China were revalued at 31st December, 2011, by B.I. Appraisals. Whereas the investment property in the United Kingdom was revalued by Peak Vision Appraisals. Both B.I. Appraisals and Peak Vision Appraisals are independent property valuers. An increase in fair value of HK$2,959.6 million (year ended 31st December, 2010: decrease of HK$10,831.3 million) was recorded during the Year mainly as a result of the upturn of the properties markets in Hong Kong and Mainland China. This unrealised fair value gain will not affect the cash flow of the Group.

Profit, Core Profit, Dividends, Repurchase and Cash Payment Ratio

Profit

Profit attributable to owners of the Company for the Year was HK$3,497.8 million as compared to loss of HK$8,858.2 million for last year. The profit for the Year was mainly due to the fair value gains on investment properties and the increase in share of profits of associates after the loss on sale of listed securities investments. Earnings per share for the Year was HK$1.83 (year ended 31st December, 2010: loss per share of HK$4.60).

Core Profit

If the net gain on the major non-cash items of HK$3,283.3 million (year ended 31st December, 2010: net loss of HK$10,748.9 million) are excluded, the Group will have a core profit attributable to owners of the Company for the Year of HK$214.5 million (year ended 31st December, 2010: HK$1,890.7 million) and a core earnings per share of HK11.2 cents (year ended 31st December, 2010: HK98.2 cents), a decrease of 88.7% and 88.6% over 2010 respectively. The decrease in core profit for the Year was mainly due to the loss on sale of listed securities investments during the Year.

The major non-cash items were fair value gain on investment properties together with their respective deferred tax of HK$3,283.3 million (year ended 31st December, 2010: loss of HK$10,748.9 million).

Dividends

Final dividend of HK1 cent (year ended 31st December, 2009: HK1 cent) per share in total amount of HK$19.1 million for the year ended 31st December, 2010 was paid in cash in June 2011.

Interim dividend of HK1 cent (half year ended 30th June, 2010: nil) per share in total amount of HK$19.1 million for the half year ended 30th June, 2011 was paid in cash in September 2011.

No special dividend was declared and paid during the Year (year ended 31st December, 2010: special dividend for connected transaction of HK40 cents per share).

Total dividends of HK$38.2 million were paid in cash during the Year.

Repurchase

During the Year, the Company had not repurchased any of the Company's share whereas the Company had utilised HK$535.7 million (including transaction cost) equivalent to HK27.8 cents per share in repurchase of the Company's shares for the year ended 31st December, 2010.

Cash Payment Ratio

Based on (a) the core profit for the Year of HK$214.5 million (year ended 31st December, 2010: HK$1,890.7 million) or HK11.2 cents (year ended 31st December, 2010: HK98.2 cents) per share; (b) no repurchase for the Year (year ended 31st December, 2010: amount utilised for share repurchase HK$535.7 million (including transaction cost) or HK27.8 cents per share); and (c) final dividend of HK1 cent (year ended 31st December, 2010: HK1 cent) per share proposed and interim dividend of HK1 cent (half year ended 30th June, 2010: nil) per share and no special dividend (year ended 31st December, 2010: HK40 cents per share) was paid for the Year, the ratio of such cash payment to the core profit is 17.9 % (year ended 31st December, 2010: 70.1%).

Net Asset Value

As at 31st December, 2011, the Group's total net asset to owners of the Company amounted to approximately HK$35,651.3 million (31st December, 2010: HK$33,507.9 million), an increase of HK$2,143.4 million or 6.4% when compared with 31st December, 2010. With the total number of ordinary shares in issue of 1,907,619,079 as at 31st December, 2011 (31st December, 2010: 1,907,619,079 shares), the net asset value per share to owners of the Company was HK$18.69, an increase of 6.4% over 31st December, 2010 (HK$17.57 per share). The movement in net asset value was mainly due to (a) profit attributable to owners of the Company for the Year of HK$3,497.8 million; (b) reduction in relation to the acquisition of 29.99% non-controlling interest in the Macau project of HK$1,600.0 million; and (c) payment of final dividend and interim dividend both of HK$19.1 million.

There was no transaction on the listed equity securities investments categorised as available-for-sales investments for the Year. During the year ended 31st December, 2010, an addition in fair value of HK$67.0 million on the listed equity securities investments categorised as available-for-sales investments and accumulative gain of approximately of HK$108.4 million was transferred to the consolidated statement of comprehensive income upon disposal. The carrying amounts of the listed equity securities investments reserve as at 31st December, 2011 and 31st December, 2010 were nil.

Other than the existing projects and those disclosed in the annual results, the Group did not have material acquisition or disposal of assets and any future plans for material investment or capital assets.

Securities Investments

As at 31st December, 2010, the carrying amount of the listed securities investments and treasury products was HK$7,607.5 million. During the Year, the portfolio was decreased by a net disposal of HK$497.7 million. After deducting the fair value loss of HK$1,368.3 million for the Year, the listed securities investments portfolios of the Group became HK$5,741.5 million as at 31st December, 2011 representing 9.3% of total assets, which formed part of the Group's cash management activities.

The portfolio of HK$5,741.5 million (31st December, 2010: HK$7,607.5 million) comprised (a) equity securities (investments held-for-trading) of HK$514.9 million (31st December, 2010: HK$2,422.1 million) and (b) bonds (financial assets designated as at fair value through profit or loss) of HK$5,226.6 million (31st December, 2010: HK$5,185.4 million).

Unlisted Equity Securities

In June 2011, the Group acquired 49% of the entire issued share capital of Grandday, which indirectly held the land located at the southeast exterior of Yin Xing Ken District, Yinyang Town, Qidong City, Jiangsu Province, the People's Republic of China ("PRC"), at a consideration of US$500 million (equivalent to HK$3,889.0 million). As the Group has no significant influence over the board of directors of Grandday and its subsidiaries, the investment in Grandday is classified as an unlisted equity investment and included in available-for-sale investment.

Notes held by Listed Subsidiaries

As at 31st December, 2011, the carrying amount of the floating rate and fixed rate notes amounted to HK$184.6 million (31st December, 2010: HK$262.7 million) representing 0.3% of the total assets of the Group at the end of the reporting period. The decrease mainly represented redemption upon maturity and disposal of certain floating rate and fixed rate notes during the Year.

Risk Management

The Group has established adequate risk management procedures that enable it to identify, measure, monitor and control various types of risk it faces. This is supplemented by active management involvement, effective internal controls and adequate internal audit in the best interests of the Group.

Equity

The number of issued ordinary shares as at 31st December, 2011 and 31st December, 2010 were 1,907,619,079.

Debt and Gearing

As at 31st December, 2011, the Group's bank and other borrowings amounted to HK$22,690.7 million (31st December, 2010: HK$18,710.5 million). Cash and deposit at bank amounted to HK$4,268.5 million (31st December, 2010: HK$10,689.3 million), pledged deposit amounted to HK$1,705.0 million (31st December, 2010: HK$187.1 million) and net borrowings amounted to HK$16,717.2 million (31st December, 2010: HK$7,834.1 million).

Total debt to equity ratio was 62.4% (31st December, 2010: 54.7%) and net debt to equity ratio was 46.0% (31st December, 2010: 22.9%), which are expressed as a percentage of total borrowings, and net borrowings, respectively, over the total equity of HK$36,368.0 million (31st December, 2010: HK$34,210.9 million).

However, if the listed securities investments and treasury products of HK$5,741.5 million (31st December, 2010: HK$7,607.5 million) are included, the net debt to equity ratio will be 30.2% (31st December, 2010: 0.7%).

The increase of total debt to equity ratio and net debt to equity ratio were mainly due to the increase of borrowings, mainly for acquisition of the companies holding an investment property in United Kingdom together with a Pound Sterling bank loan; and cash utilised in acquisition of unlisted equity securities in Grandday and non-controlling interest in Macau project during the Year.

As at 31st December, 2011, the Group's bank and other borrowings were denominated in Hong Kong dollar (68.1%), United States dollar (14.5%), Pound Sterling (14.0%) and Renminbi (3.4%). Of the Group's bank and other borrowings of HK$22,690.7 million, 44.1%, 38.6%, 16.5% and 0.8% were repayable within 1 year, 1 to 2 years, 2 to 5 years and over 5 years respectively. United States dollar investment securities were hedged by United States dollar borrowings. The Group's bank and other borrowings in Hong Kong dollars and United States dollars were carried at interest rates calculated mainly with reference to HIBOR/LIBOR; bank borrowings in Pound Sterling were carried at fixed rate after incorporating an interest rate swap; and bank borrowings in Renminbi were carried at interest rates calculated with reference to borrowing rates quoted by

Peoples' Bank of China. As at 31st December, 2011, about 86.0% of the Group's borrowing were on floating rate basis and 14.0% were on fixed rate basis. Other than the bank borrowings in Pound Sterling, no hedging for interest rate is subsisted at the end of the reporting period.

Pledge of Assets

As at 31st December, 2011, the Group had pledged the following assets:

(a) The Group's investment properties, properties and other fixed assets, stock of properties and time deposits with their respective carrying amount of approximately HK$32,981.7 million (31st December, 2010: HK$23,787.4 million), HK$485.1 million (31st December, 2010: HK$488.4 million), HK$2,626.3 million (31st December, 2010: HK$2,219.8 million) and HK$411.6 million (31st December, 2010: HK$163.1 million) were pledged to the Group's bankers to secure general banking and loan facilities granted to the Group.

(b) The Group's investments held-for-trading and bonds with carrying amount of approximately HK$5,741.3 million (31st December, 2010: HK$7,219.6 million) and cash deposit of approximately HK$1,293.4 million (31st December, 2010: HK$23.9 million) were pledged to the Group's financial institutions to secure margin and securities facilities granted to the Group in respect of securities transactions, of which approximately HK$3,300.7 million (31st December, 2010: HK$2,682.0 million) was utilised at 31st December, 2011 as borrowings due within one year.

(c) Interests in certain subsidiaries of the Company have been pledged as part of the security to secure certain bank borrowings granted to the Group.

(d) The Group has subordinated and assigned its advances to associates and advance to an investee company of approximately HK$1,920.0 million (31st December, 2010: HK$1,806.0 million) to financial institutions to secure general banking credit facilities granted to the associates and an investee company.

Repurchase Guarantee

Certain mortgagee banks have provided end-user financing to purchasers of Splendid City and The Metropolis and the Group has provided repurchase guarantees to these mortgagee banks for securing the obligations of such purchasers for repayments. Such guarantees will be terminated upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalty owed by the defaulted purchasers to the mortgagee banks.

The total outstanding amount of repurchase guarantee as at 31st December, 2011 was RMB76.7 million (equivalent to HK$94.4 million) (31st December, 2010: RMB7.8 million (equivalent to HK$9.2 million)) and disclosed in the contingent liabilities.

Financial and Interest Income/Expenses

Interest income was included in revenue and investment income. Other than imputed interest income, interest income for the Year was HK$779.8 million, representing an increase of 64.0% from that of 31st December, 2010 (HK$475.5 million).

Finance costs included interest expenses on bank and other loans, imputed interest expenses, exchange difference on foreign currency loans, arrangement fee and facility and commitment fee expenses. Excluding imputed interest expenses, interest expenses for the Year amounted to HK$276.4 million, representing an 139.7% increase over the interest expenses of HK$115.3 million recorded for last year. The increase in interest expenses was mainly due to the increase in bank loan and interest rate during the Year. Interest capitalised for the Year was HK$64.9 million as compared to HK$43.1 million for last year. The average interest rate over the year under review was 1.43% (year ended 31st December, 2010: 1.00%), which was expressed as a percentage of total interest paid over the average total borrowings.

Remuneration Policies, Share Option Scheme and Share Award Scheme

As at 31st December, 2011, the Group employed a total of 347 staff (31st December, 2010: 331 staff) (excluding about a total of 344 staff (31st December, 2010: 334 staff) for estate management employed under the Group's estate management company in Hong Kong, Perfect World Company Limited, and about a total of 195 staff (31st December, 2010: 136 staff) in Chengdu, the PRC employed under subsidiaries of the Company).

Employees were remunerated on the basis of their performance, experience and prevailing industry practice. Remuneration packages comprised salary and year-end discretionary bonus based on market conditions and individual performance. The Executive Director continued to review employees' contributions and to provide them with necessary incentives and flexibility for their better commitment and performance. No share option scheme was adopted during the Year.

The Company had adopted a share award scheme ("Scheme") in 2009. The Scheme is to recognise and reward certain employees for their contributions to the Group and to give long-term incentives for retaining them for the continued operations and development of the Group. Details of the Scheme were set out in the Company's circular dated 23rd December, 2008. No share was granted under the Scheme during the Year.

Mainland China, Macau and United Kingdom

Profit contribution from the Group's investment in the Mainland China (mainly included in gross profit, fair value changes on investment properties, share of results of associates and taxation) for the Year amounted to HK$206.9 million (year ended 31st December, 2010: HK$218.2 million). The Group's net investment in the Mainland China as at 31st December, 2011 amounted to HK$12,187.7 million (31st December, 2010: HK$7,468.1 million) representing approximately 33.5% of the Group's total equity.

Besides, the Group's net investment in Macau as at 31st December, 2011 amounted to HK$2,494.3 million (31st December, 2010: HK$1,748.2 million) representing approximately 6.9% of the Group's total equity.

Further, the Group acquired in January 2011 an investment property in the United Kingdom with carrying value of GBP284.9 million as at 31st December, 2011 (equivalent to HK$3,411.3 million), which contributed a profit of HK$135.1 million to the Group for the Year. As at 31st December, 2011, the Group's net investment in the United Kingdom amounted to HK$495.0 million representing approximately 1.4% of the Group's total equity.

Listed Subsidiaries

At the end of the reporting period, the Group owned two listed subsidiaries, comprising 61.96% interest in Chi Cheung Investment Company, Limited and, taking into consideration the control over its board of directors, 41.93% interest in G-Prop (Holdings) Limited.

Property Valuation

A property valuation has been carried out by B.I. Appraisals, independent qualified professional valuers, in respect of the Group's investment properties in Hong Kong and the Mainland China as at 31st December, 2011 and 31st December, 2010. For the investment property in United Kingdom which was acquired by the Group during the Year, the valuation as at 31st December, 2011 was carried out by Peak Vision Appraisals, another independent qualified professional valuers. Their valuations were based on investment method and/or direct comparison method as the valuation methodologies and were used in preparing 2011 final results.

The Group's investment properties were valued at HK$34,484.5 million (31st December, 2010: HK$27,419.0 million), an 10.9% increase over 2010 after adjusted for the additions and disposals of investment properties during the Year. The increase in fair value of approximately HK$2,959.6 million was recognised in the consolidated statement of comprehensive income for the Year. The Group also shared an increase in fair value of investment properties of associates of HK$353.5 million (adjusted deferred tax expense of HK$20.0 million) for the Year. Development properties and non-investment properties of the Group were stated at cost less impairment, if any, in the consolidated financial statements. Investment property under development at Chinese Estates Plaza, Chengdu was stated at cost of HK$2,450.6 million and will be carried at fair value, until the earlier of the date when its fair value first becomes reliably measurable or the date of the completion of the property.

The increase in fair value of HK$2,959.6 million or 10.9% was mainly attributable to the Group's three major investment properties, namely Windsor House, Silvercord and The ONE, which after adjusted the additions during the Year, recorded an increase of HK$964.8 million (or 13.1%), HK$890.9 million (or 16.1%) and HK$324.6 million (or 6.6%) respectively. The three properties have in aggregate shown an increase of HK$2,180.3 million or 73.7% of the total increase. Such increase has reflected an upturn in the property markets of Hong Kong and Mainland China for the Year. Rental renewals of these three properties for the Year have shown a remarkable increase over the end of 2010.

BUSINESS REVIEW

Hong Kong Property Investment

Rentals from investment properties continued to be one of the major sources of our income. The overall occupancy rate of the Group's retail portfolio was 95.95% during the Year excluding improvement work area of Silvercord. The occupancy rate achieved 98.20% if non-core properties are excluded and it has been increased 8.08% over last year. The high occupancy rate is attributable to the prime locations of the majority of the Group's retail properties.

The Group's overall gross rental growth was 18.35% with rental income of HK$1,239.0 million for the Year as compared with last year. The rental income from Hong Kong retail portion showed an upward momentum with 24.36% growth while the non-retail portion recorded steady growth of 5.16%. The increase in gross rental income is mainly attributable to the full operation of The ONE after its opening and the rental growth after rejuvenation and upgrading works of Windsor House and Silvercord. Retail rents were generally raised due to the increase in tenants' business turnover benefited from the continuous growth of Mainland China tourists' spending and the improved local consumption.

The average occupancy rate of the shops of Causeway Place was approximately 98.63% during the Year.

The overall rental income of Windsor House was raised 25.92% for the Year as compared with last year due to the completion of renovation works of Windsor House in May 2010. The revamped Windsor House provides shoppers a cozy shopping environment with a diversified trade mix. During the Year, its average occupancy rate was approximately 96.02%. The rental growth and high occupancy rate once again demonstrate the Group's expertise on value enhancement for its investment properties through renovations.

As for Silvercord, the overall rental income was raised 24.90% for the Year as compared with last year. Its average occupancy rate was approximately 98.83% during the Year excluding improvement work area. Improvement works in relation to further refine the configuration of the retail shops and restaurants at basement to third floor had been completed in February 2011. The rental income, occupancy rate, tenant mix and traffic flow of Silvercord have been substantially enhanced after its renovation and repackaging.

The ONE has become a spotlight for shoppers and destination for tourists since its grand opening on 29th October, 2010. It is the tallest retail complex of its kind in Hong Kong at present, integrates with shopping, entertainment and food and beverage, and has more than 400,000 square feet of retail spaces. All the shops were leased out as of 31st December, 2011 with many of them are popular fashion brands and well-known trademarks. Its average occupancy rate was approximately 99.84% during the Year.

The occupancy rate for the Group's office properties maintained at a high level. During the Year, the average occupancy rates of Windsor House, MassMutual Tower and Harcourt House were approximately 89.48%, 99.90% and 95.59% respectively, bringing the approximate occupancy rate of the overall office portfolio to 94.56%.

Hong Kong Property Development

In general, the Group's development projects have been progressing satisfactorily and the sales have been achieving pleasing results.

MOD 595 is a joint venture project with the Urban Renewal Authority located in Mongkok. It provides a single residential tower block comprises 85 units with flat size ranging from gross floor area of approximately 483 square feet to 1,188 square feet. As at 31st December, 2011, all units were sold.

Sun Fair Mansions, 12 Shiu Fai Terrace, located in Mid-Levels East, is a traditional prestigious location for luxury residential project in Hong Kong. A luxury residential tower which provides a total residential gross floor area of around 41,020 square feet will be redeveloped. Site formation work is in progress. Completion of the project is scheduled for mid 2013 and it is expected to be launched in the first quarter of 2014.

The Group has a two-phase redevelopment project in Wanchai (87.5% interest) undertaken with the Urban Renewal Authority. All residential units of The Zenith (Phase I project) were sold. One WanChai (Phase II project with preservation of the core elements of Wanchai Market) is a residential/commercial complex development with total gross floor area of approximately 159,700 square feet which provides 237 residential units with flat size ranging from gross floor area of approximately 420 square feet to 1,200 square feet and retail properties. Its superstructure work is in progress. Completion is scheduled for end 2012. Pre-sale consent was received in June 2011. Since its first sales launch commenced in November 2011, 21 out of 73 units launched (i.e. 28.77%) were presold up to 31st December, 2011, representing 8.86% of total units.

No. 55 Conduit Road (70% interest), a residential site in Mid-Levels with site area about 36,000 square feet which provides a total residential gross floor area of around 87,800 square feet. This site will be developed into a luxury residential project. The first phase of the site formation work has been completed. Piling works and the associated substructure works are in progress. The project is expected to be launched in 2013.

The Hermitage (25% interest), is one of the Group's joint venture development projects in West Kowloon Reclamation Area. It comprises 6 residential tower blocks and provides in aggregate 964 residential units and retail properties with a total gross floor area of around 1,095,980 square feet. Certificate of compliance was issued in March 2011 and the residential units are being handed over to individual purchasers. As at 31st December, 2011, 959 units were sold and recognised, representing 99.48% of total units.

The Coronation (15% interest), is another joint venture development project of the Group in West Kowloon Reclamation Area. Its superstructure work is in progress and the whole project is expected to be completed in end 2012. 6 residential tower blocks, which provide in aggregate 740 residential units and retail properties with a total gross floor area of around 650,600 square feet, will be developed. Pre-sale consent was received in December 2011. The sale is in progress and 81 units were presold up to 31st December, 2011.

Macau Property Development

La Scala is a high-end residential project located in Avenida Wai Long, Taipa, Macau (owned 100% interest upon acquisition of the remaining 29.99% interest from an independent third party in March 2011) with a total residential gross floor area of approximately 5,786,296 square feet (excluding car park area and outdoor facilities area). It will comprise 26 residential tower blocks and will be developed in phases. Phase I development will comprise 9 residential tower blocks and provide in aggregate 899 residential units. Its site formation work is scheduled for completion in the second quarter of 2012. Phase I development is currently offered for presale.

Mainland China Property Investment

The average occupancy rate of the 79 retail outlets with a total area of approximately 29,000 square feet in Lowu Commercial Plaza, Shenzhen was approximately 98.34% for the Year.

Evergo Tower, located at Central Huaihai Road in Shanghai, is a 21-storey office and shopping complex and has a gross floor area of around 263,708 square feet. The average occupancy rates of the office and retail spaces for the Year were approximately 90.34% and 55.31% respectively.

Platinum (50% interest), a 20-storey Grade A office building located at Taicang Road of Luwan District in Shanghai, has a gross floor area of about 466,464 square feet. The average occupancy rate for the Year was approximately 98.50%.

Hilton Beijing (50% interest), having 503 rooms, average occupancy rate was approximately 76.80% for the Year.

Oriental Place (50% interest), a 10-storey office building next to Hilton Beijing, average occupancy rate was approximately 99.77% for the Year.

Mainland China Property Development

Splendid City, a residential and commercial project located at Yingbin Road of Jinniu District in Chengdu, has a site area of approximately 795,625 square feet and a corresponding gross floor area of approximately 3.74 million square feet. It will comprise 19 residential tower blocks with a commercial building and will be developed in two phases. Phase I of Splendid City provides 1,226 residential units with flat size ranging from gross floor area of approximately 854 square feet to 1,812 square feet and a commercial building with gross floor area of approximately 272,740 square feet. Phase I had been completed in November 2010 and the residential units had been handed over to individual purchasers. As at 31st December, 2011, 1,210 units of Phase I were sold, representing 98.69%. Phase II of Splendid City will provide 1,625 residential units with flat size ranging from gross floor area of approximately 854 square feet to 1,812 square feet. It is under superstructure construction and expected to be completed in end 2012. The launching of Phase II was commenced in September 2011, 143 out of 284 units launched (i.e. 50.35%) were presold up to 31st December, 2011.

The Metropolis is a residential project located at Dongda Street of Jinjiang District in Chengdu, with site area of approximately 194,411 square feet and corresponding gross floor area of approximately 1.65 million square feet. It will comprise 6 residential tower blocks and will be developed in phases. Phase I of The Metropolis provides 572 units with flat size ranging from gross floor area of approximately 704 square feet to 2,692 square feet. It is under superstructure construction and expected to be completed in end 2012. Since its first sales launch of Phase I commenced in December 2010, 178 units (i.e. 31.12%) were presold up to 31st December, 2011.

Chinese Estates Plaza, a commercial and residential project at South Taisheng Road of Qingyang District in Chengdu, has a site area of about 404,267 square feet with a development scale of 3.2 million square feet. It will comprise a Grade A office building, a five stars hotel, a shopping centre and 4 residential tower blocks. Superstructure construction works are in progress. Completion of the commercial and residential portions are scheduled for end 2013 and end 2014 respectively.

The commercial and residential project at Huaxinjie Street of Jiangbei District in Chongqing (25% interest), has a site area of around 2,207,546 square feet and a gross floor area of approximately 11.08 million square feet. The project is at design stage. It will be developed in four phases and Phase I is expected to be completed in the third quarter of 2016.

In June 2011, the Group invested indirectly in the land located at the southeast exterior of Yin Xing Ken District, Yinyang Town, Qidong City, Jiangsu Province (49% interest), having a total site area of approximately 14.37 million square feet. The land will be developed into an integrated residential, business and resort complex. Construction of the first phase of the development has commenced.

Overseas Property Investment

River Court is a Grade A freehold office building situate at 116-129 Fleet Street, London, United Kingdom acquired by the Group in January 2011. It provides a total net internal area of approximately 431,324 square feet, together with certain car parking spaces. It was fully let out as of 31st December, 2011.

OTHER INFORMATION

Disposal of a Subsidiary

As announced on 7th November, 2011, the Group had entered into a sale and purchase agreement with a company wholly-owned by Mr. Joseph Lau, Luen-hung ("Mr. Lau") (the Chairman and Chief Executive Officer of the Company), in relation to the disposal of the Company's wholly-owned subsidiary that hold a residential property known as "LYNX HILL" located at No.3 Deep Water Bay Road, Hong Kong at a consideration of HK$497,238,300.32. The disposal constituted a connected transaction for the Company under the Listing Rules. Completion of the disposal took place on 7th November, 2011.

Disposal of Properties – Connected Transactions

As announced on 8th March, 2012, Mr. Lau and his associates have offered to purchase or entered into agreement respectively to acquire certain units of the Group's residential properties, namely La Scala and/or One WanChai. The transactions constituted connected transactions for the Company under the Listing Rules.

PROSPECTS

The global economy is clouded with uncertainties last year and in early 2012. The sovereign debts position in Europe and the slow recovery progress of the United States are all factors potentially leading to significant market fluctuation. The Board believes that 2012 will be a year in which challenges and opportunities will co-exist.

Facing the global uncertainties as stated above, there are still positive demands for quality residential properties in Hong Kong, Macau and the Mainland China. The Group is confident and optimistic in these markets. To capture these demands, the Group continues launching One WanChai in Hong Kong; The Metropolis and Splendid City in Chengdu. In addition, the new development project in Macau, namely La Scala will also be launched in 2012.

Our core retail investment properties are all located in prime shopping areas. The ONE, for instance, will continue to be the landmark for local customers and tourists. Windsor House and Silvercord will also enjoy benefits from the continuous growth in arrivals and spending of tourists from Mainland China. The Group's retail rental income would continue to be positive. Meanwhile, River Court, the Group's investment in London, will continue making contributions through stable return.

In view of the performance of securities investments last year and the challenges in the global economic environment in the year ahead, the Board would continue its policy in maintaining a higher cash reserve in 2012. Apart from sale of development properties in Hong Kong, Macau and the Mainland China according to development schedules and progress, the Group would also consider sale of particular investment property (or property interests held by the Group) in Hong Kong or the Mainland China or securities investment when such disposal is beneficial to the Group and its shareholders as a whole.

CORPORATE GOVERNANCE

The Company will continue putting effort in maintaining high standards of corporate governance so as to ensure better transparency and protection of interest of the shareholders and the Company as a whole. Throughout the Year, the Company has applied the principles of the Code on Corporate Governance Practices (the "Code") and complied with the code provisions and certain recommended best practices set out in the Code contained in Appendix 14 to the Listing Rules, except (i) the roles of chairman and chief executive officer are not separate (which is required under code provision A.2.1); and (ii) the Chairman of the Board was unable to attend the Company's annual general meeting held on 26th May, 2011 (which is required under code provision E.1.2).

Considered reasons for the deviations from code provisions A.2.1 and E.1.2 were disclosed in page 37 of the Corporate Governance Report under the Company's 2010 Annual Report and page 45 of the Company's Interim Report for the six months ended 30th June, 2011 respectively. Detailed information of the Company's corporate governance practices will be disclosed in the Corporate Governance Report contained in the Company's 2011 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms without deviation from the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules (the "Model Code"). All Directors, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the Model Code and the said code of conduct during the Year.

The Company has also adopted a code of conduct regarding securities transactions by relevant employees on terms no less exacting than the required standard set out in the Model Code. All the relevant employees (the "Relevant Employees") who, because of office or employment, are likely to be in possession of unpublished price-sensitive information in relation to the Group's securities had been requested to follow such code when dealing in the securities of the Company. All Relevant Employees, after specific enquiries by the Company, confirmed that they had complied with the required standard set out in the said code during the Year.

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

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PROPOSED AMENDMENTS TO THE BYE-LAWS AND ADOPTION OF NEW BYE-LAWS

It is proposed to amend the existing Bye-laws of the Company (the "Bye-laws") so as to bring the constitution of the Company in line with certain recent amendments made to the Listing Rules which came into effect on 1st January, 2012 and to adopt a new set of Bye-laws which consolidates such proposed amendments and all previous amendments made pursuant to resolutions passed by the members of the Company at previous general meetings.

The proposed amendments to the Bye-laws relate to the removal of the exception that a Director may vote (or be counted in the quorum) on any proposal concerning any other company in which he or his associates are interested, whether directly or indirectly, provided that he or any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company or of the voting rights.

Details of the proposed amendments to the Bye-laws will be set out in a circular and the notice convening the 2012 AGM. The proposed amendments and the adoption of a new set of Bye-laws will be subject to the approval of the shareholders by way of passing special resolutions at the said meeting.

APPRECIATION

We would like to take this opportunity to express our gratitude to the shareholders for their continuing support. We would also like to express our sincere thanks to all staff members for their dedication and hard work.

On behalf of the Board
Joseph Lau, Luen-hung
Chairman

Hong Kong, 16th March, 2012

As at the date of this announcement, the Board comprised Mr. Joseph Lau, Luen-hung as Executive Director, Mr. Lau, Ming-wai and Ms. Amy Lau, Yuk-wai as Non-executive Directors and Mr. Chan, Kwok-wai, Ms. Phillis Loh, Lai-ping and Mr. Ma, Tsz-chun as Independent Non-executive Directors.

Website: http://www.chineseestates.com

This results announcement is published on the website of the Company (http://www.chineseestates.com) and the HKExnews website (http://www.hkexnews.hk).

Results Highlights will also be posted on the Company's website on 16th March, 2012.