

BANK CONSORTIUM TRUST COMPANY LIMITED
銀聯信託有限公司

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2011

CERTIFIED TRUE COPY



Ka Shi Lau
Managing Director & CEO



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30/07/2012

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BANK CONSORTIUM TRUST COMPANY LIMITED
銀聯信託有限公司

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of Bank Consortium Trust Company Limited (the "Company") for the year ended 31 December 2011.

Principal activities

The Company is registered under Part VIII of the Trustee Ordinance as a trust company and section 20 of the Mandatory Provident Fund Schemes Ordinance as an approved trustee. The Company is registered as an MPF corporate intermediary. The Company revoked its licence under section 195(1)(d) of the Securities and Futures Ordinance on 22 November 2011 and no longer carries out any regulated activities.

Its principal activities are the provision of trustee, administration and custodian services for retirement schemes and investment funds.

Results and appropriations

The results of the Company for the year are set out in the statement of comprehensive income on page 6.

The directors approved an interim dividend of HK\$169,500,000 (2010: Nil) to its shareholder, Bank Consortium Holding Limited ("BCH").

Reserves

Details of movements in the reserves of the Company during the year are set out in the statement of changes in equity.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Company during the year are set out in note 12 to the financial statements.

Directors

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

Tan Stephen	
Wong Hon Hing	
Kwok Sek-chi, David	
Ng Wah	
Lau Wai Man	
Ng Suk Ying	(resigned as director on 1 January 2012)
Leckie Stuart Hamilton	
Tam Po Chiu	(appointed as independent director on 3 August 2011)
Lau Ka Shi, Betsy	
Jin Shui Sang, Frank	(appointed as alternate to Kwok Sek-chi, David on 11 January 2011)
Kwong Kwok Leung	(alternate to Wong Hon Hing and resigned on 29 February 2012)
Ng Tang Fai, Ernesto	(appointed as alternate to Tan Stephen on 27 July 2011)

In accordance with Article 77(C) of the Company's Articles of Association, Tam Po Chiu retires at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

BANK CONSORTIUM TRUST COMPANY LIMITED
銀聯信託有限公司

REPORT OF THE DIRECTORS (CONTINUED)

Directors' interests in contracts

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

Directors' interests in equity or debt securities

At no time during the year was the Company, its fellow subsidiary or its holding company a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Management contracts

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

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Chairman

Hong Kong, 16 April 2012

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BANK CONSORTIUM TRUST COMPANY LIMITED**
銀聯信託有限公司
(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Bank Consortium Trust Company Limited (the "Company") set out on pages 5 to 34, which comprise the balance sheet as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

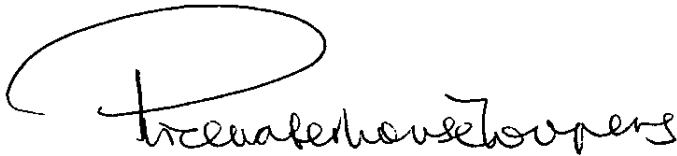
**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF BANK CONSORTIUM TRUST COMPANY LIMITED
(CONTINUED)**

銀聯信託有限公司

(incorporated in Hong Kong with limited liability)

Opinion

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

A large, stylized handwritten signature in black ink, which appears to read "PricewaterhouseCoopers". The signature is written in a cursive, flowing style with a large loop at the beginning.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 April 2012

BANK CONSORTIUM TRUST COMPANY LIMITED
銀聯信託有限公司

BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	2011 HK\$	2010 HK\$
ASSETS			
Non-current assets			
Leasehold land and land use rights	11	228,998,711	235,449,379
Property, plant and equipment	12	59,611,016	63,600,139
Intangible assets	13	6,756,938	5,332,284
Investments	14	1,466,240	1,828,850
Club debentures		452,000	452,000
Other assets	16	2,500,000	2,500,000
Loan to ultimate holding company	18	-	242,500,000
		<u>299,784,905</u>	<u>551,662,652</u>
Current assets			
Amounts due from retirement schemes and investment funds	17	41,610,487	36,522,658
Deposits and prepayments	19	6,267,594	5,122,031
Interest receivable		113,056	18,223
Other receivables		1,366,868	1,444,206
Bank balances with shareholders of ultimate holding company and cash	20	152,615,539	123,175,704
		<u>201,973,544</u>	<u>166,282,822</u>
Total assets		<u><u>501,758,449</u></u>	<u><u>717,945,474</u></u>
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	21	305,000,000	305,000,000
Other reserves	22	(545,597)	(182,987)
Retained earnings		14,438,062	120,405,495
Total equity		<u>318,892,465</u>	<u>425,222,508</u>
LIABILITIES			
Non-current liabilities			
Borrowings	25	-	143,000,000
Redeemable preference shares	24, 25	-	30,000,000
Deferred tax liabilities	26	2,412,000	2,382,000
Finance lease liabilities	25, 29	210,051	284,333
		<u>2,622,051</u>	<u>175,666,333</u>
Current liabilities			
Amounts due to a fellow subsidiary	18	17,404,047	-
Accounts payable		2,955,236	9,265,345
Other payables and accruals		16,153,758	30,713,286
Current tax payable	9	656,610	4,004,814
Borrowings	25	143,000,000	30,000,000
Redeemable preference shares	24, 25	-	43,000,000
Finance lease liabilities	25, 29	74,282	73,188
		<u>180,243,933</u>	<u>117,056,633</u>
Total liabilities		<u>182,865,984</u>	<u>292,722,966</u>
Total equity and liabilities		<u><u>501,758,449</u></u>	<u><u>717,945,474</u></u>

.....
Director

.....
Director

The notes on pages 9 to 34 are an integral part of these financial statements.

BANK CONSORTIUM TRUST COMPANY LIMITED
銀聯信託有限公司

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 HK\$	2010 HK\$
Turnover	5	231,259,343	295,553,076
Provision for bonus units to members of retirement schemes		(14,117,407)	(25,498,005)
Commission expenses		(15,088,475)	(29,997,812)
Net fee income		202,053,461	240,057,259
Other revenues	5	26,860,922	2,242,087
		<u>228,914,383</u>	<u>242,299,346</u>
Operating expenses			
Staff costs	6	(110,371,688)	(117,838,989)
Advertising and promotion		(2,296,188)	(9,404,185)
Operating leases on land and buildings		(1,718,400)	(1,412,903)
Office expenses		(4,119,630)	(3,740,204)
Depreciation	12	(6,130,952)	(6,598,424)
Amortisation	11,13	(8,638,772)	(8,279,328)
Other operating expenses	7	(17,034,548)	(19,619,297)
Total operating expenses		<u>(150,310,178)</u>	<u>(166,893,330)</u>
Operating profit		78,604,205	75,406,016
Finance costs	8	(1,508,178)	(1,883,237)
Profit before taxation		77,096,027	73,522,779
Taxation	9	(13,563,460)	(13,207,930)
Profit for the year		<u>63,532,567</u>	<u>60,314,849</u>
Other comprehensive income			
Fair value (loss) / gain on available-for-sale financial assets	22	(362,610)	90,850
Other comprehensive (loss)/income for the year, net of tax		<u>(362,610)</u>	<u>90,850</u>
Total comprehensive income for the year		<u><u>63,169,957</u></u>	<u><u>60,405,699</u></u>

The notes on pages 9 to 34 are an integral part of these financial statements.

BANK CONSORTIUM TRUST COMPANY LIMITED
銀聯信託有限公司

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	Share capital HK\$	Retained earnings HK\$	Other reserves HK\$	Total equity HK\$
Balance at 1 January 2010		305,000,000	60,090,646	(273,837)	364,816,809
<u>Comprehensive income</u>					
Profit for the year		-	60,314,849	-	60,314,849
<u>Other comprehensive income</u>					
Fair value gain on available-for-sale investments	14	-	-	90,850	90,850
Balance at 31 December 2010		<u>305,000,000</u>	<u>120,405,495</u>	<u>(182,987)</u>	<u>425,222,508</u>
Balance at 1 January 2011 as per above		305,000,000	120,405,495	(182,987)	425,222,508
<u>Comprehensive income</u>					
Profit for the year		-	63,532,567	-	63,532,567
<u>Other comprehensive income</u>					
Fair value loss on available-for-sale investments	14	-	-	(362,610)	(362,610)
<u>Distributions to owner of the Company</u>					
Dividend declared or approved during the year	23	-	(169,500,000)	-	(169,500,000)
Balance at 31 December 2011		<u>305,000,000</u>	<u>14,438,062</u>	<u>(545,597)</u>	<u>318,892,465</u>

The notes on pages 9 to 34 are an integral part of these financial statements.

BANK CONSORTIUM TRUST COMPANY LIMITED
銀聯信託有限公司

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 HK\$	2010 HK\$
Cash flows from operating activities			
Cash generated from operations	27	82,460,524	81,986,034
Tax paid		(16,881,664)	(8,949,935)
Net cash generated from operating activities		<u>65,578,860</u>	<u>73,036,099</u>
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		140,000	19,366
Purchase of property, plant and equipment and intangible assets	12,13	(5,754,956)	(7,320,881)
Interest received		913,300	200,055
Dividend received		49,770	45,820
Net cash used in investing activities		<u>(4,651,886)</u>	<u>(7,055,640)</u>
Cash flows from financing activities			
Repayments of borrowings	25	(30,000,000)	(60,000,000)
Interest paid on finance lease and borrowings		(1,413,951)	(1,770,433)
Payment for finance lease liabilities		(73,188)	(94,404)
Net cash used in financing activities		<u>(31,487,139)</u>	<u>(61,864,837)</u>
Net increase in cash and cash equivalents		29,439,835	4,115,622
Cash and cash equivalents at 1 January		123,175,704	119,060,082
Cash and cash equivalents at 31 December		<u>152,615,539</u>	<u>123,175,704</u>
Analysis of balances of cash and cash equivalents:			
Bank balances with shareholders of ultimate holding company and cash	20	<u>152,615,539</u>	<u>123,175,704</u>

The notes on pages 9 to 34 are an integral part of these financial statements.

BANK CONSORTIUM TRUST COMPANY LIMITED
銀聯信託有限公司

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The principal activities of Bank Consortium Trust Company Limited (the "Company") are the provision of trustee, administration and custodian services for retirement schemes and investment funds.

The Company is registered under Part VIII of the Trustee Ordinance as a trust company and section 20 of the Mandatory Provident Fund Schemes Ordinance as an approved trustee. The Company is registered as an MPF corporate intermediary. The Company revoked its licence under section 195(1)(d) of the Securities and Futures Ordinance on 22 November 2011 and no longer carries out any regulated activities.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 18/F, Cosco Tower, 183 Queen's Road Central, Hong Kong.

The ultimate holding company is Bank Consortium Holding Limited, a company incorporated in Hong Kong.

These financial statements are presented in Hong Kong dollars, unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Amendments to existing standards effective 1 January 2011

HKAS 24 (amendment) 'Related Party Disclosures'. This amendment clarifies the definitions of a related party. The new definition clarifies in which circumstances persons and key management personnel affect related party relationships of an entity. The amendment also introduces an exemption from the general related-party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

HKFRS 7 (amendment) 'Financial Instruments: Disclosures'. This amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Adoption of this amendment did not have a significant impact on the Company's financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the Company.

BANK CONSORTIUM TRUST COMPANY LIMITED
銀聯信託有限公司

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

New standards that are relevant to the Company but are not yet effective and have not been early adopted by the Company

HKAS 1 (Amendment), "Presentation of Financial Statements". The amendment changes the disclosure of items presented in other comprehensive income in the statement of comprehensive income. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present other comprehensive income items before tax will be required to show the amount of tax related to the two groups separately. The title used by HKAS 1 for the statement of comprehensive income has changed to 'statement of profit or loss and other comprehensive income'. However HKAS 1 still permits entities to use other titles. The Company will apply the standard from 1 January 2013. However, it is not expected to have a significant impact on the Company's financial statements.

HKFRS 9, 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The effective date of the standard is 1 January 2015. However, it is not expected to have a significant impact on the Company's financial statements.

HKFRS 13 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The effective date of the standard is 1 January 2013. However, it is not expected to have a significant impact on the Company's financial statements.

(b) Revenue recognition

Sponsor, trustee and administration fee, and servicing fee are recognised when the services are rendered.

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income is recognised when the right to receive payment is established.

Other income is recognised on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(c) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the statement of comprehensive income during the financial period in which they are incurred.

Leasehold land held for own use under an operating lease is amortised on a straight line basis over the remaining term of the lease. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	Over the remaining lease period of the land on which it is situated - 39.5 years
Leasehold improvements	10 years
Computer equipment	3 to 5 years
Office equipment	5 years
Furniture and fixtures	5 years
Motor vehicle	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(e)).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

(d) Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(e) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Investments

The Company classifies its investments as available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on the trade date - the date on which the Company commits to purchase or sell the assets. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently remeasured at fair value. Changes in the fair value are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as "gains and losses from investments".

The fair values of quoted investments are based on current bid prices. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

(g) Current and deferred tax

The tax expense for the period comprises current and deferred tax. To the extent that tax relates to items recognised in other comprehensive income or directly in equity, it is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(g) Current and deferred tax (Continued)

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Hong Kong where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(h) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are expensed in the statement of comprehensive income on a straight-line basis over the period of the lease.

(i) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(k) Finance leases

The Company leases certain property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(l) Share capital

Ordinary shares are classified as equity.

Preference share capital is classified as liability unless it is non-redeemable or is redeemable but only at the Company's option.

(m) Borrowings

Borrowings are recognised initially at fair value, net of transactions costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(n) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(ii) Pension obligations

The Company participates in a mandatory provident fund scheme in Hong Kong. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as staff costs when they are due and are reduced by the Company's voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(o) Trust accounts

Trust accounts maintained by the Company to hold clients' monies are treated as off balance sheet items and disclosed in note 30 to the financial statements.

(p) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans and receivables are carried at amortised cost using the effective interest method.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the Finance Department and Fund Administration Department under policies approved by the Board of Directors.

(a) Market risk

(i) Price risk

The Company is exposed to equity securities price risk because investments held by the Company are classified on the balance sheet as available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company has established policies and procedures to monitor the price risk. The Company's policy limits the equity investments shall be composite stocks of Hang Seng Index or Hang Seng China Enterprise Index or Tracker Fund of Hong Kong and are held for long term investment purpose. The market price is monitored on a daily basis, any significant changes in market price are reported to management instantly.

The Company's investments in equity securities are publicly traded. As at 31 December 2011, if Hang Seng Index had increased/decreased by 10% with all other variables held constant, the Company's fair value reserve for available-for-sale financial assets would have been increased/decreased by HK\$146,624 (2010: HK\$182,885).

The Company is also indirectly exposed to price risk in respect of its fee income which is determined with reference to the net asset value of the funds under its sponsorship, trusteeship and administration.

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

As at 31 December 2011 and 2010, the Company had no interest-bearing assets except for bank balances. The Company is therefore exposed to interest rate risk on these financial assets.

The Company is also subject to interest rate risk arising from its bank borrowings. These borrowings are issued at floating rates which expose the Company to cash flow interest rate risk.

At 31 December 2011, if interest rates had been 10 basis points higher or lower with all other variables held constant, post-tax profit for the year and equity would have been approximately HK\$42,000 higher or lower (2010: HK\$15,000 lower or higher), as a result of the net effect of higher or lower interest expense on floating rate borrowings and interest income on bank deposits.

(iii) Currency risk

The Company operates in Hong Kong and majority of its assets and liabilities are denominated in Hong Kong dollar which is the Company's functional and presentation currency. As such, the Company is not subject to significant amounts of currency risk.

The Company has a policy to limit its investments, if any, in Hong Kong dollar and United States dollar only in order to minimise its currency exposure.

At 31 December 2011, if Hong Kong dollar had weakened or strengthened by 5% against United States dollar with all other variables held constant, post-tax profit for the year and equity would have been approximately HK\$9,300 (2010: HK\$3,500) higher or lower, mainly as a result of foreign exchange gains/loss on translation of United States dollar denominated bank balances.

(b) Credit risk

Credit risk mainly arises from bank balances, investments and receivables. The Company has established policies and procedures to identify, measure, monitor and control credit risk. The Company's policy limits exposure to any single issuer of investments to a maximum of 20% of total corporate fund for debt securities and must not exceed 5% of the total corporate fund for equity and unit trusts and sets minimum credit rating requirements for investments. Credit ratings are monitored on a daily basis. The policies are reviewed and enhanced on an on-going basis taking into consideration of market changes and risk management best practice. As the majority balance of receivables comprises loan to ultimate holding company and amounts due from retirement schemes and investment funds under the trusteeship of the Company, the credit risk exposure on these balances is considered low.

BANK CONSORTIUM TRUST COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The table below shows the credit ratings and balances of the bank balances at the balance sheet date.

Bank balances	2011	2010
	HK\$	HK\$
Financial institutions' credit rating (based on Moody's ratings - long term bank deposits)		
A1 to A3	101,366,618	67,967,683
Baa2	51,238,921	55,198,021
	<u>152,605,539</u>	<u>123,165,704</u>

The maximum exposure to credit risk at year end is the carrying amount of the financial assets as shown on the balance sheet. None of the financial assets is impaired nor past due but not impaired.

(c) Liquidity risk

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. The Company has adopted a prudent liquidity risk management policy by maintaining a conservative level of cash to ensure both operational and regulatory requirements on liquidity are fulfilled.

The Company manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure that short term funding requirements are covered within prudent limits and sufficient funding is maintained to meet unexpected and material cash outflows in the ordinary course of business. As at 31 December 2011, the Company held cash and bank balances of HK\$11,590,072 (2010: HK\$26,843,782) and short term deposits of HK\$141,025,467 (2010: HK\$96,331,922) that are expected to readily generate cash inflows for managing liquidity risk.

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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HK\$	Between 1 and 2 years HK\$	Between 2 and 5 years HK\$
At 31 December 2011			
Bank borrowings	143,000,000	-	-
Finance costs	1,236,054	-	-
Finance lease liabilities	74,282	75,392	134,659
Redeemable preference shares	-	-	-
Trade and other payables	36,513,041	-	-
At 31 December 2010			
Bank borrowings	30,000,000	143,000,000	-
Finance costs	1,422,770	1,168,139	-
Finance lease liabilities	73,188	74,282	210,051
Redeemable preference shares	43,000,000	30,000,000	-
Trade and other payables	39,978,631	-	-

3.2 Capital risk management

The Company's objectives on managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may return capital to shareholders or sell assets to reduce liabilities. The Company's strategy is to maintain a solid capital base to support the operations and development of its business in the long term.

In addition, the Company is registered as an approved trustee under the Mandatory Provident Fund Schemes Ordinance and was a licensed corporation under the Securities and Futures Ordinance to carry out dealing in securities and advising on securities activities before 22 November 2011. As such, the Company is subject to capital requirements under the Mandatory Provident Fund Schemes Ordinance and also under the Securities and Futures Ordinance before 22 November 2011. The Company monitors its paid-up share capital and liquid capital on a monthly basis in order to fulfil the regulatory requirements.

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NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

3.3 Fair value estimation

HKFRS 7 requires the disclosure of financial instruments that are measured in the balance sheet at fair value by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following tables present the Company's assets that are measured at fair value at 31 December 2011 and 2010.

At 31 December 2011	Level 1	Level 2	Level 3
Assets			
Available-for-sale financial assets			
- Equity securities	1,466,240	-	-
Total assets	1,466,240	-	-
At 31 December 2010			
Assets			
Available-for-sale financial assets			
- Equity securities	1,828,850	-	-
Total assets	1,828,850	-	-

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise an index tracking fund listed in Hong Kong classified as available for sale financial assets.

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NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of available-for-sale financial assets

The Company follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. The Company determines that available-for-sale financial asset is impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of when a decline in fair value below its cost is not recoverable within a reasonable time period is judgmental by nature, so the statement of comprehensive income could be affected by differences in this judgment.

If all of the declines in fair value below cost were considered significant or prolonged, the Company would suffer an additional loss of HK\$545,597 (2010: HK\$182,987) in its 2011 financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the profit or loss in the statement of comprehensive income.

5 Turnover and revenues

The Company is principally engaged in the provision of trustee, administration and custodian services for retirement schemes and investment funds. Revenues recognised during the year are as follows:

	2011 HK\$	2010 HK\$
Turnover		
Sponsor, trustee and administration fee	203,087,878	244,759,023
Servicing fee	28,171,465	50,794,053
	<u>231,259,343</u>	<u>295,553,076</u>
Other revenues		
Service fee income from a fellow subsidiary (note 31(h))	23,800,000	-
Interest income from bank balances with shareholders of ultimate holding company	1,008,133	217,242
Dividend income from investments	49,770	45,820
Gain on disposal of property, plant and equipment	139,631	668
Miscellaneous	1,863,388	1,978,357
	<u>26,860,922</u>	<u>2,242,087</u>
Total revenues	<u><u>258,120,265</u></u>	<u><u>297,795,163</u></u>

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NOTES TO THE FINANCIAL STATEMENTS

6 Staff costs

	2011 HK\$	2010 HK\$
Salaries and allowances	104,792,194	111,884,900
Unutilised annual leave	(61,903)	93,992
Pension costs - mandatory provident fund scheme	5,641,397	5,860,097
	<u>110,371,688</u>	<u>117,838,989</u>

Staff costs include directors' emoluments of HK\$3,804,600 (2010: HK\$3,430,050) (note 10).

7 Other operating expenses

	2011 HK\$	2010 HK\$
Auditor's remuneration	950,794	1,108,148
Repairs and maintenance	537,947	436,517
Telephone, fax and internet charges	2,325,971	2,756,435
Utilities charges	1,205,198	1,196,699
Computer maintenance	5,422,001	5,265,924
Legal and professional fees	1,176,283	1,640,297
Postage, printing and stationery	1,667,652	4,302,406
Service fee expenses to a fellow subsidiary (Note 31(h))	798,000	-
Miscellaneous expenses	2,950,702	2,912,871
	<u>17,034,548</u>	<u>19,619,297</u>

8 Finance costs

	2011 HK\$	2010 HK\$
Interest expense:		
Finance lease wholly repayable within five years	4,812	2,962
Bank borrowings wholly repayable within five years	1,503,366	1,880,275
	<u>1,508,178</u>	<u>1,883,237</u>

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NOTES TO THE FINANCIAL STATEMENTS

9 Taxation

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

	2011 HK\$	2010 HK\$
Profits tax expense		
Current tax on profit for the year	13,533,460	12,989,930
Deferred taxation relating to origination and reversal of temporary differences and tax losses (note 26)	30,000	218,000
	<u>13,563,460</u>	<u>13,207,930</u>

The components of current tax payable in balance sheet are as follows:

	2011 HK\$	2010 HK\$
Current tax payable		
Opening	(4,004,814)	-
Current tax payable	(13,533,460)	(12,989,930)
Provisional profits tax paid	16,881,664	8,985,116
	<u>(656,610)</u>	<u>(4,004,814)</u>

The taxation on the Company's profit before taxation differs from the theoretical amount that would arise using the Hong Kong taxation rate as follows:

	2011 HK\$	2010 HK\$
Reconciliation		
Profit before taxation	<u>77,096,027</u>	<u>73,522,779</u>
Calculated at a taxation rate of 16.5% (2010: 16.5%)	12,720,844	12,131,259
Income not subject to taxation	(197,593)	(43,699)
Expenses not deductible for taxation purposes	1,064,360	1,064,544
Other adjustments	(24,151)	55,826
	<u>13,563,460</u>	<u>13,207,930</u>

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NOTES TO THE FINANCIAL STATEMENTS

10 Directors' emoluments

	2011 HK\$	2010 HK\$
Fees	156,000	180,000
Pensions	233,400	218,550
Other emoluments and discretionary bonus	3,415,200	3,031,500
	<u>3,804,600</u>	<u>3,430,050</u>

11 Leasehold land and land use rights

The Company's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book value is analysed as follows:

	2011 HK\$	2010 HK\$
In Hong Kong held on:		
Leases of between 10 to 50 years	<u>228,998,711</u>	<u>235,449,379</u>

Bank borrowings are secured on land and buildings for the carrying amount of HK\$143,000,000 (2010: HK\$173,000,000) (note 25).

	2011 HK\$	2010 HK\$
Opening	235,449,379	241,900,047
Amortisation of prepaid operating lease payment	(6,450,668)	(6,450,668)
Closing	<u>228,998,711</u>	<u>235,449,379</u>

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NOTES TO THE FINANCIAL STATEMENTS

12 Property, plant and equipment

	Building HK\$	Leasehold improve- ments HK\$	Computer equipment HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Motor vehicle HK\$	Total HK\$
At 1 January 2010							
Cost or valuation	49,409,940	14,331,193	27,650,580	3,792,934	2,634,053	273,252	98,091,952
Accumulated depreciation	(2,501,770)	(3,073,127)	(22,448,916)	(2,848,219)	(1,293,017)	(177,613)	(32,342,662)
Net book amount	<u>46,908,170</u>	<u>11,258,066</u>	<u>5,201,664</u>	<u>944,715</u>	<u>1,341,036</u>	<u>95,639</u>	<u>65,749,290</u>
Year ended 31 December 2010							
Opening net book amount	46,908,170	11,258,066	5,201,664	944,715	1,341,036	95,639	65,749,290
Additions	-	596,557	3,600,346	109,365	161,703	-	4,467,971
Disposals	-	-	(17,584)	(667)	(447)	-	(18,698)
Depreciation	(1,250,884)	(1,648,792)	(2,701,106)	(497,216)	(445,775)	(54,651)	(6,598,424)
Closing net book amount	<u>45,657,286</u>	<u>10,205,831</u>	<u>6,083,320</u>	<u>556,197</u>	<u>1,056,517</u>	<u>40,988</u>	<u>63,600,139</u>
At 31 December 2010							
Cost or valuation	49,409,940	14,927,750	29,774,509	3,654,787	2,772,631	273,252	100,812,869
Accumulated depreciation	(3,752,654)	(4,721,919)	(23,691,189)	(3,098,590)	(1,716,114)	(232,264)	(37,212,730)
Net book amount	<u>45,657,286</u>	<u>10,205,831</u>	<u>6,083,320</u>	<u>556,197</u>	<u>1,056,517</u>	<u>40,988</u>	<u>63,600,139</u>
Year ended 31 December 2011							
Opening net book amount	45,657,286	10,205,831	6,083,320	556,197	1,056,517	40,988	63,600,139
Additions	-	141,579	1,211,674	152,413	6,732	629,800	2,142,198
Disposals	-	-	-	(369)	-	-	(369)
Depreciation	(1,250,884)	(1,532,818)	(2,552,418)	(289,866)	(442,985)	(61,981)	(6,130,952)
Closing net book amount	<u>44,406,402</u>	<u>8,814,592</u>	<u>4,742,576</u>	<u>418,375</u>	<u>620,264</u>	<u>608,807</u>	<u>59,611,016</u>
At 31 December 2011							
Cost or valuation	49,409,940	15,069,329	30,711,983	3,771,461	2,778,062	629,800	102,370,575
Accumulated depreciation	(5,003,538)	(6,254,737)	(25,969,407)	(3,353,086)	(2,157,798)	(20,993)	(42,759,559)
Net book amount	<u>44,406,402</u>	<u>8,814,592</u>	<u>4,742,576</u>	<u>418,375</u>	<u>620,264</u>	<u>608,807</u>	<u>59,611,016</u>

Bank borrowings are secured on land and buildings for the carrying amount of HK\$143,000,000 (2010: HK\$173,000,000) (note 25).

Computer equipment includes the following amounts where the Company is a lessee under a finance lease:

	2011 HK\$	2010 HK\$
Cost - Capitalised finance leases	375,649	70,337
Additions	-	375,649
Accumulated depreciation	(93,912)	(89,119)
Net book amount	<u>281,737</u>	<u>356,867</u>

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13 Intangible assets

Intangible assets represent acquired computer software.

	2011 HK\$	2010 HK\$
At 1 January		
Cost	53,123,936	49,895,377
Accumulated amortisation	(47,791,652)	(45,962,992)
Net book amount	<u>5,332,284</u>	<u>3,932,385</u>
Year ended 31 December		
Opening net book amount	5,332,284	3,932,385
Additions	3,612,758	3,228,559
Amortisation	(2,188,104)	(1,828,660)
Closing net book amount	<u>6,756,938</u>	<u>5,332,284</u>
At 31 December		
Cost	56,686,704	53,123,936
Accumulated amortisation	(49,929,766)	(47,791,652)
Net book amount	<u>6,756,938</u>	<u>5,332,284</u>

14 Investments

Available-for-sale financial assets:

	2011 HK\$	2010 HK\$
Available-for-sale equity securities - listed in Hong Kong	<u>1,466,240</u>	<u>1,828,850</u>

The movement in available-for-sale financial assets is summarised as follows:

	2011 HK\$	2010 HK\$
At 1 January	1,828,850	1,738,000
Net (loss)/gain transfer to equity (note 22)	(362,610)	90,850
At 31 December	<u>1,466,240</u>	<u>1,828,850</u>
Less: non-current portion	(1,466,240)	(1,828,850)
Current portion	<u>-</u>	<u>-</u>

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15 Financial instruments by category

The accounting policies for financial instruments have been applied to the items below:

	Loans and receivables HK\$	Available- for-sale investments HK\$	Total HK\$
Assets as per balance sheet			
31 December 2011			
Club debentures	452,000	-	452,000
Available-for-sale financial assets	-	1,466,240	1,466,240
Bank balances (note 20)	152,615,539	-	152,615,539
Trade and other receivables	51,858,005	-	51,858,005
	<hr/>	<hr/>	<hr/>
Total	204,925,544	1,466,240	206,391,784
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2010			
Club debentures	452,000	-	452,000
Available-for-sale financial assets	-	1,828,850	1,828,850
Bank balances (note 20)	123,175,704	-	123,175,704
Loan to ultimate holding company	242,500,000	-	242,500,000
Trade and other receivables	45,607,118	-	45,607,118
	<hr/>	<hr/>	<hr/>
Total	411,734,822	1,828,850	413,563,672
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
		Other financial liabilities HK\$	Total HK\$
Liabilities as per balance sheet			
31 December 2011			
Finance lease liabilities		284,333	284,333
Borrowings (note 25)		143,000,000	143,000,000
Trade and other payables		36,513,041	36,513,041
		<hr/>	<hr/>
		179,797,374	179,797,374
		<hr/> <hr/>	<hr/> <hr/>
31 December 2010			
Finance lease liabilities		357,521	357,521
Borrowings (note 25)		173,000,000	173,000,000
Redeemable preference shares		73,000,000	73,000,000
Trade and other payables		39,978,631	39,978,631
		<hr/>	<hr/>
		286,336,152	286,336,152
		<hr/> <hr/>	<hr/> <hr/>

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16 Other assets

	2011 HK\$	2010 HK\$
Statutory deposit held in the name of the Director of Accounting Services as required by Section 77(2)(e) of the Hong Kong Trustee Ordinance	1,500,000	1,500,000
Refundable admission fee paid to the Hong Kong Securities Clearing Company Limited	1,000,000	1,000,000
	<u>2,500,000</u>	<u>2,500,000</u>

17 Amounts due from retirement schemes and investment funds

The amounts represent various expenses incurred on behalf of the retirement schemes and investment funds for which the Company acts as trustee and service fees receivable from these schemes and funds. The amounts are unsecured and interest free. The analysis of the amounts due from these schemes and funds is as follows:

	2011 HK\$	2010 HK\$
Bank Consortium MPF Plan	26,271,148	22,963,589
Bank Consortium Industry Plan	3,915,667	2,474,948
Other retirement schemes and investment funds	11,423,672	11,084,121
	<u>41,610,487</u>	<u>36,522,658</u>

18 Loan to ultimate holding company and amounts due to a fellow subsidiary

The loan to ultimate holding company and amounts due to a fellow subsidiary are unsecured, interest free and have no fixed repayment terms.

The loan to ultimate holding company was settled during the year ended 31 December 2011 by offsetting the amounts due to ultimate holding company arising from the redemption of redeemable preference shares (note 24) and the distribution of dividends (note 23).

19 Deposits and prepayments

	2011 HK\$	2010 HK\$
Rental and utility deposits	1,879,560	1,496,716
Prepayments	4,388,034	3,625,315
	<u>6,267,594</u>	<u>5,122,031</u>

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20 Bank balances with shareholders of ultimate holding company and cash

	2011 HK\$	2010 HK\$
Short-term bank deposits	141,025,467	96,331,922
Cash at bank and in hand	11,590,072	26,843,782
	<u>152,615,539</u>	<u>123,175,704</u>

21 Share capital

	2011 HK\$	2010 HK\$
Authorised:		
310,000,000 ordinary shares of HK\$1 each	<u>310,000,000</u>	<u>310,000,000</u>
Issued and fully paid:		
305,000,000 ordinary shares of HK\$1 each	<u>305,000,000</u>	<u>305,000,000</u>

22 Other reserves

	2011 HK\$	2010 HK\$
Available-for-sale financial assets		
At 1 January	(182,987)	(273,837)
Revaluation (loss)/gain (note 14)	(362,610)	90,850
At 31 December	<u>(545,597)</u>	<u>(182,987)</u>

23 Dividends

During the year, the Company approved and distributed an interim dividend of HK\$169,500,000 (HK\$0.56 per share) in respect of the year ended 31 December 2011 (2010: Nil) to its holding company, Bank Consortium Holding Limited.

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24 Redeemable preference shares

	2011 HK\$	2010 HK\$
Authorised:		
195,000,000 redeemable preference shares of HK\$1 each	<u>195,000,000</u>	<u>195,000,000</u>
Issued and fully paid:		
73,000,000 redeemable preference shares of HK\$1 each	<u>-</u>	<u>73,000,000</u>

The Company shall, on the expiration of 10 years from the date of issue of the preference shares or on such other earlier date as determined by the directors of the Company, be entitled to redeem at par the whole or any part of the preference shares upon giving the holders not less than one month's prior notice in writing.

The holders of the redeemable preference shares are not entitled to any dividend on these preference shares.

During the year, the Company redeemed all fully-paid redeemable preference shares at par of HK\$1.00 per share.

25 Borrowings

Total borrowings include bank borrowings, finance lease liabilities and redeemable preference shares (note 24).

	2011 HK\$	2010 HK\$
Non-current		
Bank borrowings	-	143,000,000
Redeemable preference shares	-	30,000,000
Finance lease liabilities	210,051	284,333
	<u>210,051</u>	<u>173,284,333</u>
Current		
Bank borrowings	143,000,000	30,000,000
Redeemable preference shares	-	43,000,000
Finance lease liabilities	74,282	73,188
	<u>143,074,282</u>	<u>73,073,188</u>
Total borrowings	<u>143,284,333</u>	<u>246,357,521</u>

Bank borrowings mature in 5 years from the loan agreement date of 21 December 2007 and bear interest at HIBOR plus 0.55% (2010: HIBOR plus 0.55%).

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25 Borrowings (Continued)

At 31 December 2011, the Company's borrowings were repayable as follows:

	2011 HK\$	2010 HK\$
Within 1 year	143,074,282	73,073,188
Between 1 and 2 years	75,392	173,074,282
Between 2 and 5 years	134,659	210,051
	<u>143,284,333</u>	<u>246,357,521</u>

The effective interest rate for bank borrowings at 31 December 2011 was 0.96% (2010: 0.92%). Bank borrowings are secured by the land and buildings of the Company (notes 11 and 12).

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. Refer to note 29 for details on finance lease liabilities.

26 Deferred taxation

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2011 HK\$	2010 HK\$
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	-	-
Deferred tax asset to be recovered within 12 months	38,278	48,492
	<u>38,278</u>	<u>48,492</u>
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	(1,657,076)	(1,640,162)
Deferred tax liability to be recovered within 12 months	(793,202)	(790,330)
	<u>(2,450,278)</u>	<u>(2,430,492)</u>
Deferred tax liabilities (net)	<u>(2,412,000)</u>	<u>(2,382,000)</u>

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26 Deferred taxation (Continued)

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2010: 16.5%). The movement on the deferred tax assets and deferred tax liabilities accounts during the year is as follows:

	2011 HK\$	2010 HK\$
Deferred tax liabilities		
At 1 January	(2,382,000)	(2,164,000)
Charged to the statement of comprehensive income (note 9)	(30,000)	(218,000)
At 31 December	<u>(2,412,000)</u>	<u>(2,382,000)</u>

The movements on net deferred tax (liabilities)/assets during the year are as follows:

	Accelerated tax depreciation		Unused annual leave		Total	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
At 1 January	(2,430,492)	(2,196,983)	48,492	32,983	(2,382,000)	(2,164,000)
(Charged)/credited to statement of comprehensive income (note 9)	(19,786)	(233,509)	(10,214)	15,509	(30,000)	(218,000)
At 31 December	<u>(2,450,278)</u>	<u>(2,430,492)</u>	<u>38,278</u>	<u>48,492</u>	<u>(2,412,000)</u>	<u>(2,382,000)</u>

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27 Cash generated from operations

	2011 HK\$	2010 HK\$
Profit before taxation	77,096,027	73,522,779
Adjustments for:		
- Depreciation and amortisation	14,769,724	14,877,752
- Amortisation of prepaid front-end fee for bank loan	99,337	114,812
- Gain on disposal of property, plant and equipment	(139,631)	(668)
- Interest income	(1,008,133)	(217,242)
- Dividend income	(49,770)	(45,820)
- Finance costs	1,408,841	1,768,425
Net profit for the year before working capital changes	<u>92,176,395</u>	<u>90,020,038</u>
- Increase in amounts due from retirement schemes and investment funds	(5,087,829)	(9,233,101)
- Increase in amounts due to a fellow subsidiary	17,404,047	-
- Increase in deposits and prepayments	(1,244,900)	(944,818)
- Decrease in other receivables	77,338	828,864
- (Decrease)/increase in accounts payable	(6,310,109)	2,294,156
- Decrease in other payables and accruals	(14,554,418)	(979,105)
Cash generated from operations	<u><u>82,460,524</u></u>	<u><u>81,986,034</u></u>

Non-cash transactions

Non-cash transactions include the settlement of loan to ultimate holding company (note 18) against the amounts due to ultimate holding company arising from the redemption of redeemable preference shares (note 24) and the distribution of dividends (note 23).

28 Commitments

Commitments under operating leases

At 31 December 2011, the Company had future aggregate minimum lease payments under non-cancellable operating leases on land and buildings as follows:

	2011 HK\$	2010 HK\$
No later than one year	1,169,200	1,996,800
Later than one year and no later than five years	2,185,161	260,164
	<u><u>3,354,361</u></u>	<u><u>2,256,964</u></u>

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29 Finance lease liabilities

	2011 HK\$	2010 HK\$
Gross finance lease liabilities - minimum lease payments:		
No later than 1 year	78,000	78,000
Later than 1 year and no later than 5 years	214,500	292,500
	<u>292,500</u>	<u>370,500</u>
Future finance charges on finance leases	(8,167)	(12,979)
	<u>284,333</u>	<u>357,521</u>
The present value of finance lease liabilities is as follows:		
No later than 1 year	74,282	73,188
Later than 1 year and no later than 5 years	210,051	284,333
	<u>284,333</u>	<u>357,521</u>

30 Trust accounts

The Company maintains trust accounts with authorised institutions as a result of its normal business transactions. At 31 December 2011, trust amounts not otherwise dealt with in these financial statements amounted to HK\$6,227 million (2010: HK\$5,386 million).

31 Related party transactions

Significant related party transactions, which were carried out in the normal course of the Company's business are as follows:

- (a) As at 31 December 2011, the Company placed bank deposits with shareholders of its holding company amounting to HK\$154,105,539 (2010: HK\$124,665,704). Bank interest receivable as at 31 December 2011 and bank interest income for the year amounted to HK\$113,056 (2010: HK\$18,223) and HK\$1,008,133 (2010: HK\$217,242) respectively. Bank charges totalling HK\$34,764 (2010: HK\$68,502) has been paid by the Company.
- (b) During the year, the Company paid commission expenses of HK\$13,036,433 (2010: HK\$24,337,326) to the shareholders of its holding company. As at 31 December 2011, the Company had no commission expenses payable to the shareholders of its holding company (2010: HK\$6,477,139).
- (c) As at 31 December 2011, the Company had a loan facility balance of HK\$143,000,000 (2010: HK\$173,000,000) from the shareholders of its holding company. Bank interest payable as at 31 December 2011 amounted to HK\$35,652 (2010: HK\$40,762) and bank interest expenses for the year amounted to HK\$1,503,366 (2010: HK\$1,880,275).

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31 Related party transactions (Continued)

- (d) During the year, the Company had a lease agreement for its back-up office with one of the shareholders of its holding company. The rental and management fee paid for the year amounted to HK\$1,996,800 (2010: HK\$1,680,387).
- (e) During the year, the Company paid salaries and other short-term employee benefits of HK\$3,804,600 (2010: HK\$3,430,050) to its directors (note 10).
- (f) During the year, the Company paid an insurance premium of HK\$1,901,147 (2010: HK\$1,869,107) to one of the shareholders of its holding company.
- (g) As at 31 December 2011, the Company had a general banking facility of HK\$20,000,000 (2010: HK\$20,000,000) with one of the shareholders of its holding company.
- (h) During the year, the Company had a secondment/service agreement with its fellow subsidiary for providing services between two companies and the service fee income received/service fee expenses paid amounted to HK\$23,800,000 (2010: Nil) and HK\$798,000 (2010: Nil) respectively.

32 Approval of the financial statements

The financial statements were approved for issue by the board of directors on 16 April 2012.