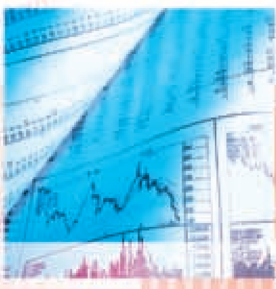
South China Holdings Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 265



ANNUAL REPORT 2007

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Mr. Richard Howard Gorges
Ms. Cheung Choi Ngor
Mr. Ng Yuk Fung, Peter

Non-executive Directors

Mr. David Michael Norman
Ms. Ng Yuk Mui, Jessica

Independent Non-executive Directors

Mr. David John Blackett
Mrs. Tse Wong Siu Yin, Elizabeth
Mr. Cheng Hong Kei

AUDIT COMMITTEE

Mr. Cheng Hong Kei (*Committee Chairman*)
Mr. David John Blackett
Mrs. Tse Wong Siu Yin, Elizabeth
Mr. David Michael Norman

REMUNERATION COMMITTEE

Mrs. Tse Wong Siu Yin, Elizabeth (*Committee Chairman*)
Mr. Cheng Hong Kei
Mr. David John Blackett
Mr. David Michael Norman

COMPANY SECRETARY

Ms. Cheung Siu Lan

PRINCIPAL PLACE OF BUSINESS

28th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong

REGISTERED OFFICE

Offshore Incorporations (Cayman) Limited
Scotia Centre
4th Floor, P.O. Box 2804
George Town, Grand Cayman
Cayman Islands

AUDITORS

Ernst & Young
Certified Public Accountants

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
Chong Hing Bank Limited
China Construction Bank Corporation
Nanyang Commercial Bank, Limited
Standard Chartered (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
DBS Bank (Hong Kong) Limited
Bank of Communications Co., Ltd.
Bank of China (Hong Kong) Limited
Dah Sing Bank, Limited
Public Bank (Hong Kong) Limited
Citic Ka Wah Bank Limited
Wing Hang Bank Limited
Wing Lung Bank Limited
Fubon Bank (Hong Kong) Limited
BNP Paribas

SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Rooms 1901-1902
Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

STOCK CODE

265

WEBSITE

http://www.sctrade.com

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2007.

BUSINESS REVIEW

The Group recorded turnover of HK$4.9 billion and profit attributable to the equity holders of the Company of HK$416.8 million for the year ended 31 December 2007, representing an increase of 11% in turnover and an increase of 103% in profits over the results in 2006.

Corporate Restructuring

The Group renamed and restructured its principal listed subsidiaries and their core business assets during the year. South China Brokerage Company Limited was changed to **South China Financial Holdings Limited** to reflect more closely the diversified range of financial services it is engaging in, namely securities and commodities broking and trading, margin financing, money lending, provision of corporate advisory and underwriting services. South China Industries Limited now becomes **South China (China) Limited** ("SCC") to better reflect its business strategy, direction and plan for its future development, in particular in the PRC.

The travel business and information technology business were segregated from SCC and transferred to some wholly owned subsidiaries of the Company. This restructure will allow SCC to become more focus and to concentrate and foster its resources and expertise in three major segments of trading and manufacturing, property investment and development, and agriculture and woods. The restructuring of the subsidiaries will bring a clearer picture of SCC's core business activities to its investors thus benefiting both the shareholders of SCC and the Company as a whole.

The major changes include the acquisition of a majority shareholding in the listed company **South China Land Limited** ("SCL") by SCC. At present, SCL holds an 80% equity interest in a joint venture that owns a property development project in Shenyang, which was previously injected from SCC. The acquisition of the controlling stake in SCL will allow SCC to capitalise the great potential of the Shenyang property project and will offer great value to its shareholders. We believe the acquisition also serves the purpose of streamlining the investment activities of SCC and SCL, with the latter to focus solely in property development activities in the PRC.

Overall, the general business environment for the year 2007 was favourable to the Group with the exception of those business units with exposure to foreign exchange risk, the Group managed to record satisfactory growth in turnover and improvement in results for all business units.

Trading and Manufacturing

The segment recorded a turnover of HK$2.1 billion and an operating profit of HK$73.9 million, an increase of 63% as compared to HK$45.4 million in 2006. The increase in profit was mainly resulted from the disposal of a loss making listed subsidiary, Nority International Group Limited ("NIG") in early last year, for which the Group no longer shared its losses in the year 2007. The Group realised a gain on disposal of approximately HK$65.8 million and maintained 35% interest in a subsidiary of NIG engaging in shoe manufacturing, which was then accounted for as an associate of the Group in 2007.

Our OEM toy manufacturing business continues to suffer from the adverse market conditions facing every manufacturer in the Mainland who exports. The adverse factors including rising labour costs and appreciation of the Renminbi currency which affects the costs of production. Although we managed to maintain similar levels of annual turnover at around HK$1.5 billion in 2007 as in the previous year, our increased prices could only marginally offset the continuing appreciation of the Renminbi and increase in raw material costs. Our shoes manufacturing business in Tianjin recorded over 30% increase in turnover, but had a slight decrease in profit. The Group's other smaller size trading and manufacturing operations in Nanjing and Tianjin focused on domestic sales recorded an increase in turnover in general.

Securities and Financial Services

Benefiting from the record high daily trading turnover in the local stock market together with the substantial increase in the number of initial public offering activities on the Hong Kong Stock Exchange, we experienced a robust financial market in the year 2007. This segment reported an increase in turnover to HK$314.4 million and a profit of HK$116.7 million for the year 2007. This represented substantial rises of 97% in turnover and nearly 6 times the profit in the year 2006.

During the year the Group made a gain of HK$82.3 million on disposal of available-for-sale financial assets.

Property Investment and Development

Our rental portfolio reported a gross rental income of HK$41.1 million, an increase of 75% as compared to 2006, and a revaluation gain of HK$144.5 million. The increase in rental income was partly attributable to rental revision and to the additional contribution from the investment properties in Nanjing as a result of the increase in our controlling stake in some joint ventures that holds sizable site in the prime retail district in Nanjing. Our Hong Kong property portfolio held for lease recorded a double-digit growth in rental income.

SCL's interest in the property development project named as "South China Landmark Plaza", is to build a landmark shopping complex in the central commercial district of Shenyang with gross retail rental floor area of approximately 117,200 square metres. The project concept design has been accepted by the local City Planning Bureau. The project is strategically located only 50 metres from the main train station in Zhong Jie which is now in progress of construction. A tender has already been submitted for an underground direct connection with this Shenyang's first mass transit railway. The initial soldier piles and excavation works have been completed for laying the foundation for full-scale construction in the second quarter of 2008.

During the year, SCL also signed a 400,000 square metres area re-location and re-development agreement with the government of the Tianjin-Bohai Coastal Economic Development Area. After redevelopment, it is expected the project will deliver one million square metres of saleable floor area. The first phase of the development on relocating work has commenced.

Travel and Related Services

With the significant increase of business and leisure travel in 2007, Fourseas travel group continued to achieve strong growth in both turnover and profit. The stock market boom last year was a great stimulus for consumer spending on luxury and long haul travel. This gave rise to an increase in both gross and net profit margins. As a result, Fourseas recorded a 14% increase to HK$2.2 billion and a 45% increase to HK$36.8 million in turnover and operating profit respectively over year 2006.

It further consolidated its position as a leading wholesale air ticketing sales agent in the Hong Kong market with continued growth in its market share. More experienced staffs have been recruited for the development of China market with the commencement of operations in four major cities.

Media and Publications

The Group divested several loss making magazines and tightened cost measures in both Hong Kong and the PRC in order to reduce the loss from the media arm. As a result, turnover increased slightly from HK$197.8 million to HK$230.9 million for 2007 while the loss cut down from HK$65.9 million to HK$44.8 million as compared with the results in the previous year.

As a post balance sheet event, the Group disposed the media and publications business in February 2008.

Information Technology

The IT segment reported an increase in turnover from HK$72.1 million in 2006 to HK$80.2 million in 2007; and a turnaround operating profit of HK$1.7 million from the previous year loss of HK$0.8 million.

The Group's investment in IT business is in the form of joint ventures with local operators on the Mainland. These companies concentrate on development and provision of applied applications software and system integration services for governmental bodies and business enterprises in the PRC. Under the auspices and encouragement of the Chongqing Government, the Group recently set up a company in the high technology industrial park for developing software outsourcing operations for overseas customers. The company was granted subsidies and tax benefits for contemplating this new business direction.

As software development takes a long lead-time to mature, the Group after years of nurturing the software development companies, the year 2007 results began to show that the developed software enjoying gradual market popularity.

Agriculture and Woods

The agriculture business is in the incubation stage of development and reported an operating loss of HK$6.1 million. However, the Group enjoyed a fair value gain on biological assets of HK$6.2 million in 2007. The three existing agricultural operations in Guangdong, Jiangsu and Hebei remain largely at its investment stage. During the year, we expanded to the Chongqing region of the PRC with a primary focus on the forestry business. It is expected that the agricultural operations will bring new business opportunities to the Group in view of the increasing demand for agricultural produce in the Mainland.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group had a current ratio of 1.26 and a gearing ratio of 10.3% (31 December 2006: 1.05 and 10.5% respectively). The gearing ratio is computed on comparing the Group's total long-term bank borrowings of HK$233.4 million to the Group's equity of HK$2,259 million. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2007, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

INVESTMENTS

For the year ended 31 December 2007, the Group disposed part of the available-for-sale financial assets and financial assets at fair value through profit or loss, with a gain on disposal of HK$82.3 million and HK$77.1 million recorded respectively.

CAPITAL STRUCTURE

The Group had no debt securities or other capital instruments as at 31 December 2007 and up to the date of this Annual Report.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year:

(1) the Group disposed of its entire 95.35% interest in NIG to an independent third party at a consideration of HK$105.4 million;

(2) the Group disposed of its entire interest in Praise Rich Limited to SCL, a related company of the Group, at an aggregate consideration of HK$800 million; and

(3) the Group acquired 67.69% interest of SCL at a consideration of approximately HK$96 million.

PLEDGES OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2007, a significant portion of the short-term borrowings was for normal trading purposes with the level of borrowings depending on the level of trading activities. Certain of the property, plant and equipment and a significant portion of investment properties of the Group secured the long term banking facilities.

Details of the Group's pledges of assets and contingent liabilities are set out in notes 48 and 49 to the financial statements.

EMPLOYEES

As at 31 December 2007, the total number of employees of the Group was approximately 26,400. Employees' cost (including directors' emoluments) amounted to approximately HK$756 million for the year.

In addition to salary, other fringe benefits such as medical subsidies, provident fund and subsidized training programmes are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. The Company adopted an employee share option scheme which came into effect on 28 June 2002.

PROSPECTS

Trading and Manufacturing

The US economic slump will probably affect the export sales of the Group's trading and manufacturing operations during 2008. Adverse trends in currency, material prices, and transportation will continue, while the eventual total impact of the new PRC labour contract laws on the factory's labour costs remains to be seen. The current harsh environment is very challenging and not expected to get better in the short run. We will focus on price adjustments and operational efficiency to maintain our profit margin for the foreseeable future.

Securities and Financial Services

The market investing sentiment has been clearly affected by the aftermath of the sub-prime crisis in the US financial market since the end of last year. Its impact has been going deeper and more extensive than what would have generally been expected as affecting the global stock market. We expect continued volatility in the stock market this year.

Notwithstanding that the China Central Government's effort in implementing the necessary macro-policies to control inflation and to cool down the overheated market, the Group still expects a close to double-digit economic growth in Mainland China, which in turn will benefit the financial market of Hong Kong in the medium and long run. The Group is now in the progress of establishing a financial leasing company in Nanjing. Approval was obtained from Ministry of Commerce of the People's Republic of China and the Certificate of Approval was received in March 2008. With a well-managed risk policy and appropriate cost control measures, we remain cautiously optimistic about our financial business in meeting the challenges in the year 2008.

Property Investment and Development

The retail site in Nanjing main shopping district is in the process of a revamp of its current rental mix to tap its full development potential. Rental income is expected to improve significantly in the near future. On the one hand, our property redevelopment projects intend to achieve the unlocking the commercial hidden potential of our Nanjing property sites, and on the other hand, we shall endeavour to increase our total landbank portfolio size by completing acquisition of additional controlling stakes in our other joint ventures that own valuable land bank in Nanjing with high commercial value.

The outlook for property development projects in the PRC remains positive despite the overall slow down of the property market recently. Our shopping complex in Shenyang and our prime commercial sites in Nanjing will benefit from the increasing demand for central retail space. The projects acquired in Tianjin-Hebei are also very promising because of the high growth potential in the region.

In addition to the Shenyang project, SCL is actively accumulating land parcels in Tianjin-Bohai, Chongqing, Shenyang and other rapid development regions in the Mainland.

Our Hong Kong rental portfolio will benefit from the improving market conditions, and is expected to increase moderately this year.

Travel and Related Services

Despite the economic downturn in the US market and the implementation of macro-economic measures to cool down the economy of Mainland China, we expect stable growth within the aviation/travel industry. This is due to the fact that Hong Kong and multinational companies will continue to expand operations within Mainland China, making Hong Kong a necessary hub for business travelers. However, the increase of operating costs such as staff cost and office rent will also limit the potential for growth on the bottom line.

Business in Mainland China will become the major development focus of Four Seas group in the current year and onwards. The early capturing of a sizable market share in this high growth market is vital for future development.

The Company currently has offices in Beijing, Shanghai, Guangzhou and Shenzhen. We plan to open four more offices at Chongqing, Xian, Nanjing and Tianjin in the coming future. In addition, we intend to establish a call centre in Guangzhou to develop internet business for expansion of mass ticketing sales and hotel bookings.

Information Technology

As most of the software developed by our IT companies are application software that can be used by different clienteles of similar businesses in China, it is expected that the usage of these software can be replicated in other cities and province outside the software manufacturing centers. Hence, sales are expected to spread over the PRC market in the long run.

Agriculture and Woods

In addition to the recent expansion of our agricultural operation into Chongqing, we are also seeing to expand acreage in Jiangsu and Hebei. On the business side, apart from developing the forestry plantation in Chongqing, the management's focus will be on replicating the successful pig rearing model in Hebei in light of rising pork prices as well as exploring a new revenue source in agricultural wholesale markets.

Agriculture and woods and animal husbandry will be a main growth direction in the foreseeable future as we continue to expand our current portfolio of farmlands and woodlands. We are confident in our ability to acquire large parcels of agricultural lands at a relatively low cost. Thus, our focus will be to accelerate the pace of accumulation of suitable acreage during the current year.

We believe the asset value of our substantial land bank and property portfolio in the Mainland will positively and significantly appreciate with the continuing upward revaluation of Renminbi and the strong economy.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated services.

Ng Hung Sang
Chairman

Hong Kong, 15 April 2008

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 58, is an Executive Director and the Chairman of the Company. Mr. Ng is also an Executive Director and the Chairman of South China Financial Holdings Limited ("SCF"), South China (China) Limited ("SCC", formerly known as "South China Industries Limited") and South China Land Limited 南華置地有限公司 ("SCL"). He holds a Master degree in Marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. He is the father of Ms. Ng Yuk Mui, Jessica and Mr. Ng Yuk Fung, Peter, a Non-executive Director and an Executive Director of the Company respectively. He was appointed as a Director of the Company in June 1992.

Mr. Richard Howard Gorges, aged 64, is an Executive Director of the Company, and is an Executive Director and a Vice-Chairman of SCF and SCC. He holds a Master degree in Law from University of Cambridge in the United Kingdom and was appointed as a Director of the Company in June 1992.

Ms. Cheung Choi Ngor, aged 54, is an Executive Director of the Company. She is also an Executive Director, Vice-Chairman and Chief Executive Officer of SCC, an Executive Director and a Vice-Chairman of SCF and a Director of Wah Shing International Holdings Limited. Ms. Cheung was also the Executive Director of Nority International Group Limited ("Nority") during the period from 2 May 2006 to 3 February 2007. She holds a Master degree in Business Administration from University of Illinois in the United States of America. Ms. Cheung is a member of National Committee of the Chinese People's Political Consultative Conference. She was appointed as a Director of the Company in June 1992.

Mr. Ng Yuk Fung, Peter, aged 28, is an Executive Director of the Company, SCC and SCL. He holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom. Mr. Ng is a son of Mr. Ng Hung Sang, the Chairman of the Company, and the brother of Ms. Ng Yuk Mui, Jessica, a Non-executive Director of the Company. He was appointed as an Executive Director of the Company in September 2003.

NON-EXECUTIVE DIRECTORS

Mr. David Michael Norman, aged 52, is a Non-executive Director of the Company and a partner of the Hong Kong office of an international law firm, Richards Butler. He studied philosophy and psychology at Oxford University in the United Kingdom and was admitted as a solicitor in the United Kingdom in 1981 and in Hong Kong in 1984 respectively. He was appointed as a Non-executive Director of the Company in January 1995.

Ms. Ng Yuk Mui, Jessica, aged 29, is a Non-executive Director of the Company, SCC and SCL. She holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom, and was admitted to the Hong Kong Bar in 2006. Ms. Ng is an associate member of the Chartered Institute of Management Accountants and a member of the Chinese People's Political Consultative Conference Tianjin Provincial Committee. Ms. Ng is the daughter of Mr. Ng Hung Sang, the Chairman of the Company, and the sister of Mr. Ng Yuk Fung, Peter, an Executive Director of the Company. She was appointed as an Executive Director of the Company in September 2003 and redesignated as a Non-executive Director of the Company with effect from 1 July 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. David John Blackett, aged 57, is an Independent Non-executive Director of the Company and was the Chairman for the Asia Pacific region of the CIT Group Inc. of the United States of America. He studied commerce at The University of Edinburgh and also become a member of the Institute of Chartered Accountants in Scotland. He has extensive experience in investment banking and finance, having previously been the Managing Director of NM Rothschild & Sons (Hong Kong) Limited. He was also a director of Shanghai Chlor-Alkali Chemical Company Limited which is listed on Shanghai Stock Exchange in The People's Republic of China and retired as a director on 12 December 2006. He was appointed as an Independent Non-executive Director of the Company in May 2000.

Mrs. Tse Wong Siu Yin, **Elizabeth**, aged 50, is an Independent Non-executive Director of the Company, SCC and SCF, the Chairman of the Hong Kong Flower Retailers Association, the Committee Member (Gardening and Floristry) of Labour and Welfare Bureau and the Youth Skills Competition Committee Member of Vocational Training Council. Mrs. Tse was also the Independent Non-executive Director of Nority during the period from 2 May 2006 to 3 February 2007. Mrs. Tse holds a Bachelor degree of Science from the University of Western Ontario in Canada. She was appointed as an Independent Non-executive Director of the Company in September 2004.

Mr. Cheng Hong Kei, aged 53, is an Independent Non-Executive Director of the Company. He is also an Independent Non-executive Director of Beauforte Investor Corporation Limited and a co-founding director of Cheng & Cheng Limited, Certified Public Accountants, in Hong Kong. He studied accountancy at Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and was admitted as a Certified Public Accountant in Hong Kong in 1991. Mr. Cheng has over 30 years of experience in the accounting field. Prior to establishing of his own practice, he worked as an assessor for the Hong Kong Inland Revenue Department for 12 years. He was appointed as an Independent Non-executive Director of the Company in September 2004.

Directors' Report

The directors of the Company (the "Directors") have pleasure in presenting their report and the audited consolidated financial statements of the Company together with its subsidiaries and associates (the "Group") for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries and associates principally engage in the trading and manufacturing, securities, bullion and commodities brokerage and trading, margin financing, money lending, provision of corporate advisory services and underwriting services, information technology related businesses, property investment and development, implementation and marketing of software applications, magazine publishing businesses, marketing and promotional services, agriculture and woods, sale of airline tickets and the provision of other related services.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 127 of this Annual Report.

The Directors recommend the payment of a final dividend of HK1.4 cent (2006: Nil) per share, which amounted to approximately HK$25,528,000 (2006: Nil) in respect of the year ended 31 December 2007 to the shareholders whose names appear on the register of members of the Company on 20 May 2008. This, together with the interim dividend of HK1.4 cent per share paid on 23 October 2007, will give a total dividend of HK2.8 cents per share for the whole year.

Subject to the approval by the shareholders of the final dividend at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 8 August 2008.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 128 of this Annual Report. The summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND DETAILS OF PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements respectively. Further details of the Group's investment properties and construction in progress are set out on pages 129 to 132 of this Annual Report.

SHARE CAPITAL AND SHARE OPTIONS

There were no change in either the authorized capital or the issued capital of the Company during the year. Details of the share capital and the share options of the Company during the year are set out in notes 42 and 43 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the Cayman Islands.

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

During the year ended 31 December 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 44 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$756,582,000.

DIRECTORS

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

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)
Mr. Richard Howard Gorges
Ms. Cheung Choi Ngor
Mr. Ng Yuk Fung, Peter

Non-executive Directors:

Mr. David Michael Norman
Ms. Ng Yuk Mui, Jessica

Independent Non-executive Directors:

Mr. David John Blackett
Mrs. Tse Wong Siu Yin, Elizabeth
Mr. Cheng Hong Kei

In accordance with Article 116 of the Articles of Association of the Company, Ms. Cheung Choi Ngor, Mrs. Tse Wong Siu Yin, Elizabeth and Mr. Cheng Hong Kei will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from each of the Independent Non-executive Directors, Mr. David John Blackett, Mrs. Tse Wong Siu Yin, Elizabeth and Mr. Cheng Hong Kei for the year ended 31 December 2007 and the Company still considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 9 to 10 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2007, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

(a) The Company

(1) *Interests in Shares*

Name of Director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Mr. Ng Hung Sang ("Mr. Ng")	Beneficial owner	71,652,200	1,344,181,812	73.72%
	Interest of controlled corporations	1,272,529,612 (Note a)		
Mr. Richard Howard Gorges ("Mr. Gorges")	Interest of controlled corporations	487,949,760 (Note a)	487,949,760	26.76%
Ms. Cheung Choi Ngor ("Ms. Cheung")	Interest of mcontrolled corporations	487,949,760 (Note a)	487,949,760	26.76%

(2) *Interest in underlying shares*

Name of Director	Capacity	Number of underlying shares (Note)	Approximate percentage of shareholding
Mr. Gorges	Beneficial owner	18,000,000	0.99%
Ms. Cheung	Beneficial owner	18,000,000	0.99%
Mr. Ng Yuk Fung, Peter	Beneficial owner	18,000,000	0.99%
Ms. Ng Yuk Mui, Jessica	Beneficial owner	18,000,000	0.99%

Note: These share options were granted on 18 September 2007 at the exercise price of HK$2.00 per Share with exercise period as follows: (i) not more than 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the tenth year from the date of grant; (ii) not more than 2/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the tenth year from the date of grant; and (iii) all of the share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the tenth year from the date of grant.

(b) Associated corporation

(1) *Interests in Shares*

(i) South China (China) Limited ("SCC") (Note b)

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	1,983,206,785 (Note c)	74.78%

(ii) South China Financial Holdings Limited ("SCFH") (Note d)

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	3,660,502,500 (Note e)	72.79%
Mr. Gorges	Beneficial owner	12,174,000	0.24%
Ms. Cheung	Beneficial owner	10,000,000	0.20%

(iii) South China Land Limited ("SCL") (Note f)

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	346,829,203 (Note g)	68.48%

(iv) South China Financial Credits Limited ("SCFC") (Note h)

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Ng Yuk Fung, Peter	Beneficial owner	250,000	0.59%

(v) Prime Prospects Limited ("Prime Prospects") (Note i)

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Ng	Interest of a controlled corporation	30	30%

(2) *Interest in underlying shares*

(i) SCC

a) Warrants

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Ng	Interests of controlled corporations	396,641,357 (Note j)	14.96%

b) Share options

Name of Director	Capacity	Number of underlying shares (Note)	Approximate percentage of shareholding
Ms. Cheung	Beneficial owner	26,000,000	0.98%
Mr. Ng Yuk Fung, Peter	Beneficial owner	26,000,000	0.98%

Note: These share options were granted on 18 September 2007 at the exercise price of HK$1.50 per share of SCC with exercise period as follows: (i) not more than 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the tenth year from the date of grant; (ii) not more than 2/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the tenth year from the date of grant; and (iii) all of the share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the tenth year from the date of grant.

(ii) SCFH

a) Warrants

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Ng	Interests of controlled corporations	732,100,500 (Notes k and l)	14.56%
Mr. Gorges	Beneficial owner	2,434,800 (Note k)	0.05%
Ms. Cheung	Beneficial owner	2,000,000 (Note k)	0.04%

b) Share options

Name of Director	Capacity	Number of underlying shares (Note)	Approximate percentage of shareholding
Mr. Gorges	Beneficial owner	30,000,000	0.60%
Ms. Cheung	Beneficial owner	20,000,000	0.40%
Mr. Ng Yuk Fung, Peter	Beneficial owner	50,000,000	0.99%

Note: Each of Mr. Gorges and Ms. Cheung was granted with share options to subscribe for 30,000,000 shares of SCFH on 16 March 2006 at the exercise price of HK$0.128 per share. Ms. Cheung had exercised the share options to subscribe for 10,000,000 shares of SCFH. Mr. Ng Yuk Fung, Peter was granted with share options to subscribe for 30,000,000 shares of SCFH and 20,000,000 shares of SCFH on 16 March 2006 and 26 April 2006 respectively at the exercise price of HK$0.128 per share.

The exercise period is as follows: (i) 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of third year from the date of grant; (ii) 1/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the fourth year from date of grant; and (iii) 1/3 share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the fifth year from the date of grant.

(iii) SCL

a) Convertible notes

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	10,666,666,666 (Note m)	2,105.96%

b) Share options

Name of Director	Capacity	Number of underlying shares (Note)	Approximate percentage of shareholding
Mr. Ng Yuk Fung, Peter	Beneficial owner	5,000,000	0.99%

Note: These share options were granted on 14 March 2007 at the exercise price of HK$0.2166 per share of SCL with exercise period as follows: (i) 1/3 of the total share options granted shall be exercised from the beginning of the second year from the date of grant to the end of the third year from the date of grant; (ii) 1/3 of the total share options granted shall be exercised from the beginning of the third year from the date of grant to the end of the fourth year from the date of grant; and (iii) the 1/3 share options granted shall be exercised from the beginning of the fourth year from the date of grant to the end of the fifth year from the date of grant.

Notes:

(a) The 1,272,529,612 shares of the Company held by Mr. Ng through controlled corporations referred to above include 371,864,000 shares held by Parkfield Holdings Limited ("Parkfield"), 396,050,252 shares held by Fung Shing Group Limited ("Fung Shing"), 16,665,600 shares held by Ronastar Investments Limited ("Ronastar"), 237,303,360 shares held by Bannock Investment Limited ("Bannock") and 250,646,400 shares held by Earntrade Investments Limited ("Earntrade"). Parkfield, Fung Shing and Ronastar are all wholly-owned by Mr. Ng. Bannock is a wholly-owned subsidiary of Earntrade which is owned as to 60% by Mr. Ng, 20% by Mr. Gorges and 20% by Ms. Cheung, all of whom are considered as parties to an agreement to which Section 317 of the SFO applies. As such, Mr. Ng, Mr. Gorges and Ms. Cheung are deemed to have an interest in 487,949,760 shares, which are being held by both Bannock and Earntrade.

(b) SCC is a 74.78% owned subsidiary of the Company.

(c) By virtue of Notes (a) and (b), Mr. Ng has a duty of disclosure under SFO in relation to 1,983,206,785 shares of SCC held by certain wholly-owned subsidiaries of the Company.

(d) SCFH is a 72.79% owned subsidiary of the Company.

(e) By virtue of Notes (a) and (d), Mr. Ng has a duty of disclosure under SFO in relation to 3,660,502,500 shares of SCFH held by certain wholly-owned subsidiaries of the Company.

(f) SCL is a 68.56% owned subsidiary of the Company.

(g) By virtue of Notes (a) and (b), Mr. Ng has a duty of disclosure under SFO in relation to 346,829,203 shares of SCL held by Skychance Group Limited ("Skychance"), a wholly-owned subsidiary of SCC.

(h) SCFC is a 98.42% owned subsidiary of SCFH.

(i) Prime Prospects is a 70% owned subsidiary of SCC. Mr. Ng and his family, through a company wholly-owned and controlled by them, have interest in 30 shares in Prime Prospect.

(j) These are warrants of SCC which entitle the holders thereof to subscribe at any time during the period from 7 September 2007 to 6 September 2010 (both days inclusive) for fully paid shares of SCC at an initial subscription price of HK$0.40 per share (subject to adjustments). By virtue of Notes (a) and (b), Mr. Ng is taken to have a duty of disclosure under SFO in relation to 396,641,357 underlying shares of SCC held by certain wholly-owned subsidiaries of the Company.

(k) These are warrants of SCFH which entitle the holders thereof to subscribe at any time during the period from 23 October 2007 to 22 October 2008 (both days inclusive) for fully paid shares of SCFH at an initial subscription price of HK$0.168 per share (subject to adjustments).

(l) By virtue of Notes (a) and (d), Mr. Ng is taken to have a duty of disclosure under SFO in relation to 732,100,500 underlying shares of SCFH to be subscribed under warrants of SCFH held by certain wholly-owned subsidiaries of the Company.

(m) These are 2 convertible notes issued by SCL to Skychance with the rights to convert into 5,440,000,000 shares of SCL and 5,226,666,666 shares of SCL respectively at a conversion price of HK$0.075 per share. By virtue of Notes (a) and (b), Mr. Ng is taken to have a duty of disclosure under SFO in relation to 10,666,666,666 underlying shares of SCL.

(n) All interests disclosed above represent long positions.

Save as disclosed above, as at 31 December 2007, none of the Directors or chief executives of the Company had registered an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS SCHEMES

The Directors and employees of the Company and its subsidiaries are entitled to participate in the share options schemes of the Company, its holding company, subsidiaries and fellow subsidiaries. Particulars of the share option schemes are set out in note 43 to the financial statements. Details of the options granted by the Company and the subsidiaries to the Directors were set out under the heading "Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures" of this Annual Report. Save as disclosed in this Annual Report and in the financial statements, up to 31 December 2007, none of the Directors or chief executives of the Company had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "Share Option Schemes", at no time during the year was the Company, or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

PENSION SCHEME

Details of the pension scheme of the Group are set out in note 2.6 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between the Group and other companies in which the Directors had beneficial interest are set out in note 52 to the financial statements and the heading "Connected Transactions" of this Annual Report.

Save as disclosed above, no contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2007, the following persons, other than the Directors or Chief Executives of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long Position

Name of Shareholder	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Earntrade	Beneficial owner and interest of a controlled corporation	487,949,760 (Note)	26.76%
Bannock	Beneficial owner	237,303,360 (Note)	13.01%
Parkfield	Beneficial owner	371,864,000	20.39%
Fung Shing	Beneficial owner	396,050,252	21.72%

Note: Bannock is a wholly-owned subsidiary of Earntrade. The 487,949,760 shares in the Company held by Earntrade include 237,303,360 shares held by Bannock directly.

Save as disclosed above, as at 31 December 2007, no person, other than the Directors, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the amount of public float as required under the Listing Rules as at the date of this Annual Report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 55 to the financial statements.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Details of the compliance by the Company with the Code on Corporate Governance Practices are set out on pages 22 to 25 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of the compliance by with the Model Code for Securities Transactions are set out on page 23 of this Annual Report.

CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 52 to the financial statements.

During the year, the Group had the following connected transactions, details of which were disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

On 20 October 2006, a wholly-owned subsidiary (the "Vendor") of SCC, a subsidiary of the Company, and SCC entered into the agreement (the "Agreement") with SCL as the purchaser (a company controlled by Mr. Ng, at that time, the chairman and substantial shareholder of the Company, who is a connected person of the Company under the Listing Rules) in relation to the disposal of the entire issued share capital of Praise Rich Limited ("Praise Rich") and a debt at a total consideration of HK$800 million, to be satisfied by SCL issuing a zero-coupon convertible note at an agreed conversion price of HK$0.075 per SCL share. The Group considered that the disposal of Praise Rich would rationalise the property development portfolio from manufacturing business in SCC and would allow the management to focus on its core manufacturing business.

On 9 January 2007, SCC, the Vendor and SCL entered into the amended and restated share purchase agreement (the "Amended Agreement") to amend the Agreement. Under the terms of the Amended Agreement, the Vendor agreed to sell to SCL 51% of equity interest in Praise Rich and a debt at a consideration of HK$408 million, to be satisfied by SCL issuing to Skychance Group Limited ("Skychance"), a wholly-owned subsidiary of SCC, a zero-coupon convertible note at the agreed conversion price of HK$0.075 per SCL share. The transaction was completed on 12 March 2007. Details of the transaction were set out in the circular of the Company dated 12 February 2007.

On 30 April 2007, SCC the Vendor and SCL entered into another agreement, the Vendor agreed to sell to SCL the remaining 49% of equity interest in Praise Rich and a debt for a consideration of HK$392 million, to be satisfied by SCL issuing to Skychance another zero-coupon convertible note at the agreed conversion price of HK$0.075 per SCL share. The transaction was completed on 6 July 2007. Details of the transaction were set out in the circular of the Company dated 13 June 2007.

On 4 July 2007, wholly-owned subsidiaries of the Company entered into agreement with wholly-owned subsidiaries of SCC in relation to the disposal to SCC certain subsidiaries which hold investment properties and berths and membership debentures of a golf and country club at a consideration of HK$122.1 million in exchange for the disposal of the entire interest in travel and information technology businesses and cash payment by SCC. Mr. Ng, a connected person of the Company, is interested in 30% of equity interest in a company that holds an investment property, the transaction constituted a connected transaction for the Company under the Listing Rules. The Group considered that the restructuring would bring a clearer picture of SCC's core business activities to its investors. The transaction was completed on 23 August 2007. Details of the transaction were set out in the circular of the Company dated 25 July 2007.

On 26 October 2007, Skychance entered into an agreement with Mr. Ng and his associates for the acquisition of 346,709,203 SCL Shares, representing 68.45% of the issued share capital of SCL, at a consideration of HK$97,078,576.84. The consideration was satisfied by the issue of 2% promissory notes maturing in 18 months from the date of Issue by Skychance to Mr. Ng and his associates. The acquisition of the SCL shares would enable SCC to be the controlling shareholder of SCL to ensure the most efficient application of financing means and management. The transaction was completed on 9 January 2008. Details of the transaction were set out in the circular of the Company dated 16 November 2007.

On 28 December 2007, a wholly-owned subsidiary of the Company entered into an agreement with a company controlled by Mr. Ng for the disposal of media business to Mr. Ng at a consideration of HK$30 million. The transaction completed on 6 February 2008. The Group considered that the disposal can prevent the Group from further losses and cash outflow for the non-performing publication business, and can avoid any potential business conflict and competition with certain executive directors of the Company. Details of the transaction were set out in the circular of the Company dated 16 January 2008.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The principal duties of the audit committee include the review of the Group's audit plan and process with the Auditors, the independence of the Auditors, the Group's financial statements and system of internal control. The Audit Committee comprises four Non-executive Directors, out of which 3 of them are Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Committee Chairman), Mr. David John Blackett, Mrs. Tse Wong Siu Yin, Elizabeth and Mr. David Michael Norman.

The Audit Committee is satisfied with its review of the audit fees, the independence of the Auditors and recommended to the Board the re-appointment of Auditors in 2008 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2007 were reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2007, the sales to the Group's five largest customers accounted for 26% and sales to the largest customers included therein accounted for 11% of the total sales. Purchases from the Group's five largest suppliers accounted for 35% and purchases from the largest suppliers included therein accounted for 26% of the total purchases for the year.

None of the Directors or any of their associates or any shareholders (which to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had a material interest in the Group's five largest customers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ng is the controlling shareholder of Jessica Publications (BVI) Limited ("Jessica") and each of Ms. Ng Yuk Mui, Jessica and Mr. Ng Yuk Fung, Peter is a director of Jessica. Jessica is principally engaged in the publication business which are considered as competing businesses of the Group.

Accordingly, each of Mr. Ng, Ms. Ng Yuk Mui, Jessica and Mr. Ng Yuk Fung, Peter is regarded as interested in such competing businesses of the Group.

The Directors are of the view that the Company can carry on its business independently of and at arm's length from the business of Jessica especially upon completion of the Sale as the Group's relevant publication business has its own target reader market and contents which are different from those of Jessica.

Save as disclosed above, as at 31 December 2007, none of the Directors or any of their respective associates had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests of the Group. Save as disclosed above, as at 31 December 2007, none of the Directors or any of their respective associates had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests of the Group.

AUDITORS

Deloitte Touche Tohmatsu resigned as auditors of the Company in 2006 and Ernst & Young were appointed by the Directors to fill the casual vacancy so arising. Ernst & Young will retire and, being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ng Hung Sang
Chairman

Hong Kong, 15 April 2008

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasizes accountability and transparency and are adopted in the best interests of the Company and its shareholders.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2007 with exception (i) to code provision A.4.1 that non-executive directors of the Company were not appointed for a specific term; and (ii) to code provision A.4.2 that the Articles of Association of the Company did not provide that (a) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and (b) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting of the Company after their appointment.

In order to comply with the code provision A.4.2 of CG Code, a special resolution was passed at the annual general meeting of the Company on 22 May 2007 to amend the Articles of Association of the Company, inter alia, to the effect that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years and all newly appointed directors should be subject to re-election by shareholders at the first general meeting of the Company after their appointment.

All the directors of the Company (the "Directors") are subject to the retirement by rotation in accordance with the Company's Articles of Association. Each of the non-executive Directors has agreed and confirmed in writing with the Company that his term of appointment is three years commenced from the date of his last re-election by the shareholders at the annual general meeting. As such, the Board considers that the code provision A.4.1 of the CG Code of the Listing Rules is complied.

BOARD COMPOSITION AND BOARD PRACTICES

The board of directors of the Company (the "Board") is composed of 9 Directors, including the Chairman who is an Executive Director, 3 additional Executive Directors, 3 Independent Non-executive Directors and 2 Non-executive Directors, one-third of the Board is Independent Non-executive Directors and all of them have appropriate professional qualifications, or accounting or related financial management expertise. Their biographies and relevant relationships amongst them are set out in the Directors' Biographical Details on pages 9 to 10 of this Annual Report.

Review will be made regularly on the Board composition to ensure that the Board has a balance of skills and experience appropriate for the requirement of the business of the Company and its subsidiaries (the "Group"). Also, a balanced composition of Executive Directors and Non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the Listing Rules in having one of the Independent Non-executive Directors with appropriate accounting qualifications and expertise as one of the members of the Audit Committee.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The Board has adopted a formal written procedure and policy for the appointment of new directors. When selecting potential candidates for directors, their skill, experience, expertise, devotion of time and conflicts of interests are the key factors for consideration. No Nomination Committee has been set up, and hence, the nomination and selection process are performed by the Board. The Board meets at least once a year in discussing whether the composition, size, structure of the Board is adequate. The Board met once in 2007 with a majority of Directors present.

All the directors of the Company are subject to the retirement by rotation in accordance with the Company's Articles of Association. Each of the non-executive Directors has agreed and confirmed in writing with the Company that his term of appointment is three years commenced from the date of his last re-election by the shareholders at the annual general meeting.

The Board is collectively responsible for the formulation of the Group's strategy, overseeing the management of the business and affairs of the Group.

The roles of the Chairman and the Chief Executive Officer of the Company are exercised by separate individuals with a view to maintain independence and accountability. Key decisions are fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the agenda of regular meetings. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

Daily operation and management of the business of the Group, inter alia, the implementation of strategies are delegated to the Executive Committee, comprising all Executive Directors. They report periodically to the Board their work and business decisions.

The Board meets regularly and held five meetings in 2007:

	Attendance
Executive Directors	
Ng Hung Sang (*Chairman*)	4/5
Richard Howard Gorges	5/5
Cheung Choi Ngor	5/5
Ng Yuk Fung, Peter	4/5
Non-executive Directors	
David Michael Norman	4/5
Ng Yuk Mui, Jessica	4/5
Independent Non-executive Directors	
David John Blackett	4/5
Tse Wong Siu Yin, Elizabeth	5/5
Cheng Hong Kei	5/5

Notices of at least fourteen days are given to the Directors for regular meetings, while Board papers are sent to the Directors not less than three days before the intended date of a board or board committee meeting. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedures and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever they deem necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. In addition, the Board has established similar guidelines for relevant employees who are likely in possession of unpublished price sensitive information in relation to the Group or its securities.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors throughout the year ended 31 December 2007.

INTERNAL CONTROL

Recognising that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of the Listing Rules, the Directors also acknowledge that they have overall responsibility for the Company's internal control, financial control and risk management and shall monitor its effectiveness from time to time. Therefore, a team, comprising qualified accountants, has been organised to carry out the internal audit function of the Company ("IA Team").

Based on the assessment of risk exposure, the IA Team formulates audit plans quarterly and ensures the audit programs cover key internal control areas of key operating subsidiaries on a rotational basis for the review by the Audit Committee on a regular interval. The scopes and timing of audit review is usually determined according to risk assessment.

Special reviews may also be performed on areas of concern identified by management or the Audit Committee from time to time.

IA Team monitors the internal control procedures and systems of the Group, reports findings and makes recommendations, if any, to Audit Committee on a regular interval. During the year, the internal control of inventory cycle of the toys operation, money lending business, revenue cycle of travel business, property rental receivable and construction payment cycle of the Group were reviewed, recommended remedial actions, distinguishing specific incidents from control weakness that require procedural changes or enhancements to prevent recurrence were proposed and addressed in the internal control report which was presented by the IA Team to the Audit Committee and the Board for review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group. The Directors ensure the preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 26 of this Annual Report.

AUDITORS' REMUNERATION

For the year ended 31 December 2007, the Auditors of the Company received approximately HK$5,200,000 for audit service. Non-audit services provided by the Auditors was approximately HK$700,000 in 2007.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 21 April 2005 and comprises 4 Non-executive Directors, out of which 3 of them are Independent Non-executive Directors. The Remuneration Committee members are Mrs. Tse Wong Siu Yin, Elizabeth (Committee Chairman), Mr. Cheng Hong Kei, Mr. David John Blackett and Mr. David Michael Norman.

The Remuneration Committee met once in 2007 and was attended by all Committee members. The policies for the remuneration of Executive Directors were reviewed by the Remuneration Committee. Remuneration, including basic salaries, discretionary performance bonus and other emolument, of the Executive Directors is based on skills, knowledge, involvement and performance of the individuals by reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long-term motivation and incentive to and for retaining staff.

Remuneration, comprising directors' fees, of Non-executive Directors is subject to annual assessment for shareholders' approval at the annual general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

AUDIT COMMITTEE

The Audit Committee comprises 4 Non-executive Directors, out of which 3 of them are Independent Non-executive Directors, namely Mr. Cheng Hong Kei (Committee Chairman), Mr. David John Blackett, Mrs. Tse Wong Siu Yin, Elizabeth and Mr. David Michael Norman. The principal duties of the Audit Committee include the review of the Group's audit plan and process with the Auditors, the independence of the Auditors, the Group's financial statements and internal control procedures in accordance with its terms of reference, which is substantially the same as the CG Code.

The Audit Committee meets regularly and held two meetings in 2007:

	Attendance
Non-executive Director	
David Michael Norman	1/2
Independent Non-executive Directors	
Cheng Hong Kei (*Committee Chairman*)	2/2
David John Blackett	2/2
Tse Wong Siu Yin, Elizabeth	2/2

The Audit Committee is satisfied with their review of the audit fees, the independence of the Auditors and recommended to the Board the re-appointment of the Auditors in 2008 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2007 were reviewed by the Audit Committee.

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

To the shareholders of South China Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of South China Holdings Limited set out on pages 27 to 127, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, 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 as to 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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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.

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
15 April 2008

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
REVENUE	5	**4,930,350**	4,444,372
Cost of sales		**(4,190,413)**	(3,939,691)
Gross profit		**739,937**	504,681
Interest income		**4,635**	4,296
Other operating income		**57,855**	31,064
Fair value gains on investment properties		**144,530**	66,304
Gain on disposal of investment properties		**–**	5,280
Fair value gains on biological assets	14	**6,217**	3,664
Excess over the cost of business combinations and acquisition of minority interests	45	**–**	241,308
Reversal of impairment/(impairment) of trade and loans receivables		**20,394**	(13,990)
Selling and distribution costs		**(104,823)**	(103,083)
Other operating expenses		**(544,701)**	(431,153)
Gain on disposal of available-for-sale financial assets		**82,325**	1,045
Fair value (losses)/gains on financial assets at fair value through profit or loss		**(16,447)**	1,261
Interest expense for margin financing and money lending operations		**(26,272)**	(16,717)
Reversal of impairment of property, plant and equipment		**2,569**	11,620
Finance costs	7	**(31,865)**	(34,608)
Gain on disposal of subsidiaries	46	**65,956**	–
Impairment of advances to an associate		**(10,500)**	–
Share of profits and losses of associates		**202,180**	35,772
PROFIT BEFORE TAX	6	**591,990**	306,744
Tax	10	**(13,758)**	(24,648)
PROFIT FOR THE YEAR		**578,232**	282,096
Attributable to:			
Equity holders of the Company	11	**416,809**	205,318
Minority interests		**161,423**	76,778
		578,232	282,096
DIVIDENDS	12		
Interim		**25,528**	–
Proposed final		**25,528**	–
		51,056	–
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK22.9 cents**	HK11.3 cents
Diluted		**HK22.6 cents**	–

Consolidated Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**356,628**	364,321
Investment properties	16	**1,229,827**	950,618
Prepaid land lease payments	17	**20,027**	30,955
Construction in progress	18	**263,444**	208,737
Loans receivable	19	**6,913**	5,979
Interests in associates	21	**304,227**	310,762
Biological assets	14	**71,000**	65,000
Goodwill	22	**9,882**	21,445
Intangible assets	23	**836**	836
Available-for-sale financial assets	24	**38,990**	60,202
Other non-current assets	25	**47,900**	47,458
Deferred tax assets	40	**3,255**	9,776
Total non-current assets		**2,352,929**	2,076,089
CURRENT ASSETS			
Inventories	26	**290,853**	361,283
Trade and other receivables	27	**578,052**	521,019
Loans receivable	19	**229,711**	207,726
Financial assets at fair value through profit or loss	28	**241,036**	132,496
Due from related companies	38	**5,158**	306
Due from associates	21	**234,045**	–
Advances to minority shareholders of subsidiaries	37	**14,105**	14,403
Tax recoverable		**8,972**	12,960
Pledged bank deposits	30	**18,730**	17,630
Cash held on behalf of clients	31	**538,546**	363,372
Cash and cash equivalents	30	**281,881**	365,891
		2,441,089	1,997,086
Non-current assets classified as held for sale	29	**–**	53,300
Total current assets		**2,441,089**	2,050,386
CURRENT LIABILITIES			
Client deposits	32	**518,718**	359,586
Trade and other payables	33	**793,015**	980,840
Interest-bearing bank and other borrowings	34	**590,971**	578,798
Advances from minority shareholders of subsidiaries	37	**2,128**	–
Due to related companies	38	**13,207**	62
Tax payable		**24,642**	35,785
Total current liabilities		**1,942,681**	1,955,071
NET CURRENT ASSETS		**498,408**	95,315
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,851,337**	2,171,404

Consolidated Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,851,337**	2,171,404
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	34	**235,445**	188,539
Advances from shareholders	36	**14,529**	21,896
Advances from minority shareholders of subsidiaries	37	**54,842**	53,249
Provision for severance payment	39	**41,259**	32,601
Promissory notes	41	**95,959**	–
Deferred tax liabilities	40	**150,261**	139,755
Total non-current liabilities		**592,295**	436,040
Net assets		**2,259,042**	1,735,364
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	42	**45,584**	45,584
Reserves	44(a)	**1,503,236**	1,148,310
Proposed final dividend	12	**25,528**	–
		1,574,348	1,193,894
Minority interests		**684,694**	541,470
Total equity		**2,259,042**	1,735,364

Ng Hung Sang
Chairman

Richard Howard Gorges
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Attributable to equity holders of the Company												
	Issued capital	Share premium account	Capital redemption reserve	Merger reserve	Share option reserve	Asset revaluation reserve	Available-for-sale financial asset revaluation reserve	PRC statutory reserves	Exchange fluctuation reserve	Retained profits	Total	Minority interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006	45,584	253,234	56	136,648	1,379	8,652	15,209	4,610	2,699	504,358	972,429	568,064	1,540,493
Surplus on revaluation on land and buildings	–	–	–	–	–	1,317	–	–	–	–	1,317	143	1,460
Changes in fair value of available-for-sale financial assets	–	–	–	–	–	–	3,410	–	–	–	3,410	2,091	5,501
Transfer to the income statement on disposal of available-for-sale financial assets	–	–	–	–	–	–	(604)	–	–	–	(604)	(218)	(822)
Exchange realignment	–	–	–	–	–	–	–	–	7,143	–	7,143	5,406	12,549
Total income and expense for the year recognised directly in equity	–	–	–	–	–	1,317	2,806	–	7,143	–	11,266	7,422	18,688
Profit for the year	–	–	–	–	–	–	–	–	–	205,318	205,318	76,778	282,096
Total income and expense for the year	–	–	–	–	–	1,317	2,806	–	7,143	205,318	216,584	84,200	300,784
Acquisition of minority interests	–	–	–	–	–	–	–	–	–	–	–	(166,056)	(166,056)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	30,350	30,350
Capital contribution from minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	29,072	29,072
Transfer to retained profits	–	–	–	–	(1,379)	(564)	–	–	–	1,943	–	–	–
Transfer from retained profits	–	–	–	–	–	–	–	740	–	(740)	–	–	–
Equity-settled share option arrangements	–	–	–	–	4,881	–	–	–	–	–	4,881	1,830	6,711
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(5,990)	(5,990)
Balance at 31 December 2006	45,584	253,234*	56*	136,648*	4,881*	9,405*	18,015*	5,350*	9,842*	710,879*	1,193,894	541,470	1,735,364

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

	Attributable to equity holders of the Company														
	Issued capital	Share premium account	Capital redemption reserve	Capital reserve	Merger reserve	Share option reserve	Asset revaluation reserve	Available-for-sale financial asset revaluation reserve	PRC statutory reserves	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	45,584	253,234	56	–	136,648	4,881	9,405	18,015	5,350	9,842	710,879	–	1,193,894	541,470	1,735,364
Surplus on revaluation on land and buildings	–	–	–	–	–	–	6,508	–	–	–	–	–	6,508	2,194	8,702
Changes in fair value of available-for-sale financial assets	–	–	–	–	–	–	–	66,794	–	–	–	–	66,794	24,339	91,133
Transfer to income statement on disposal of available-for-sale financial assets	–	–	–	–	–	–	–	(56,206)	–	–	–	–	(56,206)	(20,872)	(77,078)
Exchange realignment	–	–	–	–	–	–	–	–	–	18,408	–	–	18,408	26,056	44,464
Total income and expense for the year recognised directly in equity	–	–	–	–	–	–	6,508	10,588	–	18,408	–	–	35,504	31,717	67,221
Profit for the year	–	–	–	–	–	–	–	–	–	–	416,809	–	416,809	161,423	578,232
Total income and expense for the year	–	–	–	–	–	–	6,508	10,588	–	18,408	416,809	–	452,313	193,140	645,453
Acquisition of minority interests	–	–	–	–	–	–	–	–	–	–	–	–	–	(25)	(25)
Adjustment due to adoption of merger accounting	–	–	–	3,060	–	–	–	–	–	–	(10,932)	–	(7,872)	(2,332)	(10,204)
Acquisition of subsidiaries	–	–	–	–	(63,458)	–	–	–	–	–	–	–	(63,458)	(21,470)	(84,928)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,130)	(1,130)
Capital contribution from minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	2,063	2,063
Transfer from retained profits	–	–	–	–	–	–	–	468	1,044	–	(1,512)	–	–	–	–
Equity-settled share option arrangements	–	–	–	–	–	25,917	–	–	–	–	–	–	25,917	5,821	31,738
Exercise of share option	–	–	–	–	–	(918)	–	–	–	–	–	–	(918)	(347)	(1,265)
Interim 2007 dividend	–	–	–	–	–	–	–	–	–	–	(25,528)	–	(25,528)	–	(25,528)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	(32,496)	(32,496)
Proposed final 2007 dividend	–	–	–	–	–	–	–	–	–	–	(25,528)	25,528	–	–	–
Balance at 31 December 2007	45,584	253,234*	56*	3,060*	73,190*	29,880*	15,913*	29,071*	6,394*	28,250*	1,064,188*	25,528	1,574,348	684,694	2,259,042

The merger reserve represents:

a) the difference between the share capital and share premium account of a subsidiary and the nominal value of the Company's shares issued in exchange thereof at the time of the group reorganisation in 1992, less a transfer of HK$200,000,000 to retained profits in 2001; and

b) the difference between the consideration amount for South China Land Limited ("SCL") and the share capital, share premium and minority interests of SCL.

The Group's PRC statutory reserves represent reserves required to be appropriated from profit after taxation of the Company's PRC subsidiaries under the PRC laws and regulations. The amount of the appropriation is at the discretion of the PRC subsidiaries' boards of directors.

The retained profits and exchange fluctuation reserve of the Group included HK$262,687,000 (2006: HK$60,467,000) and a debit balance of HK$862,000 (2006: HK$499,000), respectively, retained by the associates of the Group.

* *These reserve accounts comprise the consolidated reserves of HK$1,503,236,000 (2006: HK$1,148,310,000) in the consolidated balance sheet.*

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**591,990**	306,744
Adjustments for:			
(Reversal of impairment)/impairment of trade and loans receivables		**(20,394)**	13,990
Provision against obsolete inventories	6	**15,504**	12,863
Decrease in biological assets due to harvest		**217**	664
Depreciation	6	**52,707**	59,258
Dividend income from listed investments	6	**(896)**	(2,192)
Gain on disposal of available-for-sale financial assets		**(82,325)**	(1,045)
Excess over the cost of business combinations and acquisition of minority interest		**–**	(241,308)
Dilution gain on a subsidiary	6	**(4,209)**	(3,555)
Finance costs	7	**31,865**	34,608
Interest income		**(4,635)**	(4,296)
Fair value gains on investment properties	16	**(144,530)**	(66,304)
Gain on disposal of investment properties		**–**	(5,280)
Fair value gains on biological assets		**(6,217)**	(3,664)
Recognition of prepaid land lease payments	6	**608**	750
Fair value losses/(gains) on financial assets at fair value through profit or loss		**16,447**	(1,261)
Reversal of impairment of property, plant and equipment	15	**(2,569)**	(11,620)
(Gain)/loss on disposal of items of property, plant and equipment	6	**(5,109)**	53
Equity-settled share option expense	6	**31,738**	6,711
Share of profits and losses of associates		**(202,180)**	(35,772)
Impairment of advances to an associate		**10,500**	–
Gain on disposal of subsidiaries		**(65,956)**	–
		212,556	59,344
Decrease/(increase) in inventories		**26,522**	(5,277)
Increase in trade and other receivables		**(72,190)**	(48,022)
Increase in loans receivable		**(1,735)**	(54,900)
Increase in financial assets at fair value through profit or loss		**(124,987)**	(70,950)
(Increase)/decrease in amounts due from related companies		**(4,852)**	255
Increase in cash held on behalf of clients		**(175,174)**	(126,909)
Increase in client deposits		**159,132**	134,119
(Decrease)/increase in trade and other payables		**(138,141)**	113,384
Cash (used in)/generated from operations		**(118,869)**	1,044
Hong Kong profits tax paid		**(7,935)**	(2,075)
Mainland China tax paid		**(4,350)**	(2,908)
Net cash outflow from operating activities		**(131,154)**	(3,939)

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Net cash outflow from operating activities		**(131,154)**	(3,939)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	15	**(49,808)**	(33,140)
Additions to construction in progress	18	**(39,042)**	(96,372)
Additions to prepaid land lease payments	17	**–**	(64)
Purchases of available-for-sale financial assets		**–**	(16,965)
Acquisition of subsidiaries	45	**(1,174)**	(71,723)
Advances to associates, net		**(30,392)**	(1,359)
Acquisition of minority interests		**(25)**	(78,752)
Disposal of a subsidiary	46	**79,970**	–
Proceeds from disposal of available-for-sale financial assets		**117,384**	7,603
Interest received		**4,635**	4,296
Proceeds from disposal of items of property, plant and equipment		**8,887**	7,435
Dividends received from listed investments		**896**	2,192
Acquisition of other non-current assets		**(442)**	(1,718)
Proceeds from disposal of investment properties		**–**	39,160
Net cash inflow/(outflow) from investing activities		**90,889**	(239,407)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**(331,459)**	(180,731)
Increase in trust receipt loans		**41,339**	21,463
Repayment to shareholders		**(7,367)**	(5,017)
Advances from minority shareholders		**4,265**	2,358
Interest paid		**(31,865)**	(34,608)
Dividends paid to minority shareholders of subsidiaries		**(32,496)**	(5,990)
Dividend paid		**(25,528)**	–
Capital element of finance lease rental payments		**(8,684)**	(6,028)
New bank loans		**401,829**	449,432
Capital contribution from minority shareholders of subsidiaries		**5,007**	32,627
Net cash inflow from financing activities		**15,041**	273,506
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(25,224)**	30,160
Cash and cash equivalents at beginning of year		**285,765**	251,863
Effect of foreign exchange rate changes, net		**4,040**	3,742
CASH AND CASH EQUIVALENTS AT END OF YEAR		**264,581**	285,765
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	30	**281,881**	365,891
Time deposits with original maturity of less than three months when acquired	30	**18,730**	17,630
Bank overdrafts	34	**(36,030)**	(97,756)
		264,581	285,765

Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	20	**813,745**	842,297
CURRENT ASSETS			
Cash and bank balances	30	**141**	67
CURRENT LIABILITIES			
Other payables and accruals		**11,664**	16,941
Interest-bearing bank borrowings	34	**–**	38,507
Total current liabilities		**11,664**	55,448
NET CURRENT LIABILITIES		**(11,523)**	(55,381)
TOTAL ASSETS LESS CURRENT LIABILITIES		**802,222**	786,916
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	34	**-**	7,000
Net assets		**802,222**	779,916
EQUITY			
Issued capital	42	**45,584**	45,584
Reserves	44(b)	**731,110**	734,332
Proposed final dividend	12	**25,528**	–
Total equity		**802,222**	779,916

Ng Hung Sang
Chairman

Richard Howard Gorges
Director

Notes to the Financial Statements

31 December 2007

1. CORPORATE INFORMATION

South China Holdings Limited is incorporated in the Cayman Islands as an exempted limited company. The registered office address of the Company is located at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, the Cayman Islands. Its shares are listed on the Mainboard of The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. Its subsidiaries and associates principally engage in trading and manufacturing, securities, bullion and commodities brokerage and trading, margin financing, money lending, the provision of corporate advisory and underwriting services, information technology related businesses, property investment and development, the implementation and marketing of software applications, magazine publishing businesses, marketing and promotional services, agriculture and woods, the sale of air tickets and the provision of other related services.

2.1 CORPORATE REORGANISATION

During the year, the Group entered into several significant reorganisation transactions mainly as follows:

(i) to exchange certain businesses of the Group with South China (China) Limited ("SCC"), a listed subsidiary of the Company at a consideration of HK$122,100,000. Fair value changes on these properties arising from the disposal of these businesses to SCC have been eliminated in the consolidation of the Group. Further details can be found in a circular of SCC dated 25 July 2007; and

(ii) acquisition of a 67.69% equity interest in South China Land Limited ("SCL") from a substantial shareholder who is also a director of the Company (the "Acquisition"). Further details can be found in an announcement of the Company dated 26 October 2007.

As the Company and SCL are ultimately controlled by the substantial shareholder of the Group, before and after the acquisition, the financial statements of the Group have been prepared based on the principles of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), as if the acquisition had occurred from the date when the combining entities first came under the control of the substantial shareholder because the acquisition should be regarded as a business combination under common control. However, the directors considered that the comparative figures of SCL are insignificant to the Group and restatement of comparative figures under AG 5 on SCL has no significant benefit to the readers. Accordingly, no restatement on comparative figures of SCL has been made in these financial statements and the five year financial summary.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, available-for-sale financial assets, certain leasehold land and buildings, financial assets at fair value through profit or loss, and biological assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

The financial statements of the Group have been prepared based on the principles of merger accounting with AG 5, as if the Acquisition had occurred from the date when the combining entities first came under the control of the substantial shareholder because the Acquisition should be regarded as a business combination under common control as the Company and the SCL are all ultimately controlled by a substantial shareholder and director of the Company, before and after the Acquisition.

2.2 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2007. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Acquisitions of businesses under common control are accounted for using merger accounting in accordance with AG 5 issued by the HKICPA. The acquired assets are stated at carrying amounts as if the assets had been held by the Group from the beginning of the earliest period presented.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is the consideration and the book value of the share of the net assets acquired is recognized as goodwill.

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Capital Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 Presentation of Financial Statements - Capital Disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 54 to the financial statements.

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) HK(IFRIC)-Int 8 Scope of HKFRS 2

This interpretation requires HKFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some or all of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group's equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. As the Company has only issued equity instruments to the Group's employees for identified services provided in accordance with the Group's share option scheme, the interpretation has had no effect on these financial statements.

(d) HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group's existing policy of accounting for derivatives complies with the requirements of the interpretation, the interpretation has had no effect on these financial statements.

(e) HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group had no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2.4 EARLY OF ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Group early adopted HKAS 23 (Revised) Borrowing Costs, which early adoption is permitted.

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions in the revised standard, the Group shall apply the revised standard on a prospective basis to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2007. The adoption of the revised standard has had no material impact on the financial position or results of operations of the Group.

2.5 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 2 Amendment	Share-based Payment - Vesting Conditions and Cancellation[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions[3]
HK(IFRIC)-Int 12	Service Concession Arrangements[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[5]
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[4]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 March 2007
4 Effective for annual periods beginning on or after 1 January 2008
5 Effective for annual periods beginning on or after 1 July 2008

The amendment to HKFRS 2 clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based arrangement.

HKFRS 3 (Revised) amended the definition of a business and a business combination and additional guidance was added for identifying when a group of assets constitutes a business. It also clarifies how the acquirer makes any classifications, designations or assessments for the identifiable assets acquired and liabilities assumed in a business combination.

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt HKFRS 8 from 1 January 2009.

HKAS 1 (Revised), which will replace HKAS 1 *Presentation of Financial Statements*, require an entity to consider whether to present the statement of comprehensive income as a single statement or as two statements, and consider how this may affect the information disclosed in other announcements by the entity, for example press releases. As several revised standards that may require changes in accounting policies are expected to become effective for annual periods beginning on or after 1 January 2009, it is likely that the first interim and annual financial statements prepared after HKAS 1 (Revised) becomes effective will need to include a statement of financial position as at the beginning of the earliest comparative period. The Group expects to adopt HKAS 1 (Revised) from 1 January 2009.

HKAS 27 has been revised to add a new term "non-controlling interest" to replace the term "minority interest", and requires that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity measures any gain or loss arising on the loss of control of a subsidiary.

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group.

2.5 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HK(IFRIC)-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. HK(IFRIC)-Int 12 also addresses how an operator shall apply existing HKFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services.

HK(IFRIC)-Int 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Merger accounting for business combinations under common control

Business combinations under common control are accounted for in accordance with the AG5. In applying merger accounting, financial statement items of the combining entities or businesses to which common control combination occurs are included in the consolidated financial statements as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined income statement includes the results of each of the combining entities or businesses from 1 January 2007 or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or, where the combining entities first came under common control on a later date, at that later date.

All significant intra-group transactions and balances have been eliminated on combination.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(c) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill previously eliminated against consolidated retained profits

Prior to the adoption of the HKICPA's Statement of Standard Accounting Practice 30 "Business Combinations" ("SSAP 30") in 2001, goodwill arising on acquisition was eliminated against consolidated retained profits in the year of acquisition. On the adoption of HKFRS 3, such goodwill remains eliminated against consolidated retained profits and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, biological assets, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d).

(f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than certain land and buildings and construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Certain land and buildings are stated in the balance sheet at amounts based on revaluations performed prior to 30 September 1995, less any subsequent accumulated depreciation and amortisation and impairment losses.

In accordance with the transitional provisions in paragraph 80A of HKAS 16 Property, plant and equipment, the Group's land and buildings carried at revalued amounts in the financial statements relating to periods ended before 30 September 1995 are not required to make regular revaluations. Accordingly, no revaluation of land and buildings is carried out subsequent to 30 September 1995. In previous years, the revaluation increase arising on the revaluation of these assets was credited to the asset revaluation reserve. Any future decrease in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	2% to 10%, not exceeding the lease terms
Furniture and leasehold improvements	10% to 25%, not exceeding the lease terms
Machinery and equipment	10% to 25%
Moulds and tools	20% to 25%
Motor vehicles and vessels	20% to 33.3%

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents mainly resettlement costs incurred for a piece of land, which is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is dealt with as a movement in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Biological assets

Biological assets are fruit trees and are measured on initial recognition and at each balance sheet date at their fair value less estimated point-of-sale costs. The fair value of fruit trees is determined based on the present value of expected net cash flows from the fruit trees discounted at a current market-determined pre-tax rate. Fruit trees are perennial plants which have growth cycles of more than one year.

A gain or loss arising on initial recognition of a biological asset at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological asset is included in the income statement for the period in which it arises.

Agricultural produce

Agricultural produce comprises lychee and longan fruits of fruit trees.

Lychee and longan fruits harvested from fruit trees are measured at their fair value less estimated point-of-sale costs at the time of harvest. The fair value of lychee and longan fruits is determined based on market prices in the local area. Such measurement is the cost at that date when applying HKAS 2 Inventories.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in the income statement for the period in which it arises.

Fair value represents the estimated purchase cost that the Group has to procure such inventories in the market on an arm's length basis.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for “Revenue recognition” below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories (financial assets at fair value through profit or loss and loans and receivables). After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policy set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale financial asset revaluation reserve.

When the fair value of unlisted available-for-sale investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or ''prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available-for-sale are not reversed through the income statement.

Impairment losses in debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, amounts due to related companies, amounts due to minority shareholders of subsidiaries, promissory notes and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

The Group has established a provision for severance payment in accordance with the relevant regulations in Mainland China. Compensation payable to employees upon termination of the employment contracts therewith are charged to the provision when incurred.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) income from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) service income, when the services have been rendered;

(c) commission and brokerage income, accrued on all broking transactions on a trade date basis;

(d) profit or loss on the trading of securities, bullion and future contracts, on a trade date accrual basis;

(e) dividend income, when the shareholders' right to receive payment has been established;

(f) from the sale of magazines, when the magazines have been delivered and title has been passed;

(g) rental income, on a time proportion basis over the lease terms; and

(h) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("Equity-settled Transactions").

The cost of Equity-settled Transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a trinomial model, further details of which are given in note 43. In valuing Equity-settled Transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("Market Conditions"), if applicable.

The cost of Equity-settled Transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "Vesting Date"). The cumulative expense recognised for Equity-settled Transactions at each balance sheet date until the Vesting Date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a Market Condition, which are treated as vesting irrespective of whether or not the Market Condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions (Continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Pension schemes

The Group operates a defined contribution staff retirement scheme registered under the Occupational Retirement Schemes Ordinance (the "ORSO Scheme") for its employees (including certain directors), the assets of which are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the eligible employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the ORSO Scheme. When an employee leaves the ORSO Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

The Group also operates another defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance. Contributions to the MPF Scheme are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Employees who joined the Group before 1 December 2000 have the option to join either of the schemes. Employees who joined the Group on or after 1 December 2000 are only eligible to join the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.7 CHANGE IN ACCOUNTING ESTIMATES

On 16 March, 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New Corporate Income Tax Law"), which will become effective from 1 January, 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the corporate income tax (the "CIT") rate for domestic and foreign investment enterprises at a rate of 25 per cent. (2006 – 33 per cent.). This change in the CIT rate will directly offset the Group's effective tax rate prospectively from 2008. According to HKAS 12 "Income taxes", deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. As a result, the change in the CIT rate has had the following impact on the financial position of the Group for the year ended 31 December 2007:

(a) *Effect on the consolidated balance sheet as at 31 December 2007:*

	HK$'000
Decrease in deferred tax liabilities	(29,882)
Decrease in exchange fluctuation reserve	(843)
Increase in minority interests	9,178
Increase in retained profits	21,547
	–

2.7 CHANGE IN ACCOUNTING ESTIMATES *(Continued)*

(b) *Effect on the consolidated profit and loss account for the year ended 31 December 2007:*

	HK$'000
Decrease in deferred tax charges	28,810
Increase in minority interests	(9,383)
	19,427

At the date of approval of these consolidated financial statements, detailed implementation and administrative requirements relating to the New Corporate Income Tax Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial positions of future periods when more detailed requirements are issued.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Operating lease commitments - Group as lessor

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

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was HK$9,882,000 (2006: HK$21,445,000). More details are given in note 22 to the financial statements.

Estimates regarding the realisability of deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2007 was HK$15,362,000 (2006: HK$19,118,000). The amount of unrecognised tax losses at 31 December 2007 was HK$1,006,762,000 (2006: HK$1,517,466,000). Further details are contained in note 40 to the financial statements.

Impairment allowances on loans receivable

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying amount of loans receivable at 31 December 2007 was HK$236,624,000 (2006: HK$213,705,000) (note 19).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of available-for-sale financial assets

The Group determines that available-for-sale financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such determination of what is significant or prolonged decline requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, as well as changes in technology, and operational and financing cash flows.

The carrying amount of available-for-sale financial assets at 31 December 2007 was HK$38,990,000 (2006: HK$60,202,000) (note 24).

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the trading and manufacturing segment involves the trading and manufacturing of merchandise including toys, shoes, metal tooling, leather products, motors, machinery, capacitors and jewellery;

(b) the securities and financial services segment engages in securities, bullion and commodities brokerage and margin financing, money lending, securities trading, the provision of corporate advisory and underwriting services;

(c) the travel and related services segment involves in the sale of air tickets and travel-related products;

(d) the property investment and development segment engages in property development and investment;

(e) the media and publications segment engages in the publishing and printing businesses, advertising and promotional services;

(f) the information technology segment engages in information technology related business;

(g) the agriculture and woods segment engages in the cultivation of fruit trees and sale of fruits, breeding of fishes and animal husbandry; and

(h) the investment holding segment comprises the Group's management services and other investment holding.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2007 and 2006.

Group

	Trading and manufacturing HK$'000	Securities and financial services HK$'000	Travel and related services HK$'000	Property investment and development HK$'000	Media and publications HK$'000	Information technology HK$'000	Agriculture and woods HK$'000	Investment holding HK$'000	Consolidated HK$'000
Year ended 31 December 2007:									
Segment revenue:									
External sales	2,092,199	314,360	2,170,221	41,057	230,886	80,228	1,399	–	4,930,350
	112,287	114,625	38,240	46,150	(39,593)	3,959	(5,490)	(88,271)	181,907
Depreciation	(38,706)	(2,958)	(1,306)	(2,387)	(4,540)	(1,768)	(602)	(440)	(52,707)
Gain on disposal of available-for-sale financial assets	–	–	–	–	–	–	–	82,325	82,325
Gain on disposal of subsidiaries	–	–	–	–	–	–	–	65,956	65,956
Fair value losses on financial assets at fair value through profit or loss	–	(16,447)	–	–	–	–	–	–	(16,447)
Fair value gains on investment properties	–	–	–	144,530	–	–	–	–	144,530
Fair value gains on biological assets	–	–	–	–	–	–	6,217	–	6,217
Reversal of impairment/ (impairment) of trade and loans receivables	288	21,472	(159)	–	(680)	(527)	–	–	20,394
Segment results	73,869	116,692	36,775	188,293	(44,813)	1,664	125	59,570	432,175
Finance costs									(31,865)
Impairment of advances to an associate	(10,500)	–	–	–	–	–	–	–	(10,500)
Share of profits and losses of associates	(12,895)	–	–	214,985	–	90	–	–	202,180
Profit before tax									591,990
Tax									(13,758)
Profit for the year									578,232

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group

	Trading and manufacturing HK$'000	Securities and financial services HK$'000	Travel and related services HK$'000	Property investment and development HK$'000	Media and publications HK$'000	Information technology HK$'000	Agriculture and woods HK$'000	Investment holding HK$'000	Consolidated HK$'000
Year ended 31 December 2006:									
Segment revenue:									
External sales	2,081,985	159,240	1,908,586	23,432	197,815	72,050	1,264	–	4,444,372
	83,427	32,030	27,018	11,598	(59,680)	1,577	(4,504)	(43,120)	48,346
Depreciation	(49,518)	(2,078)	(1,548)	(18)	(4,337)	(1,075)	(681)	(3)	(59,258)
Excess over the cost of business combinations and acquisition of minority interests	–	–	–	–	–	–	–	241,308	241,308
Gain on disposal of available-for-sale financial assets	–	–	–	–	–	–	–	1,045	1,045
Gain on disposal of investment properties	–	–	–	5,280	–	–	–	–	5,280
Fair value gains on financial assets at fair value through profit or loss	–	1,261	–	–	–	–	–	–	1,261
Fair value gains on investment properties	–	–	–	66,304	–	–	–	–	66,304
Fair value gains on biological assets	–	–	–	–	–	–	3,664	–	3,664
Reversal of impairment/(impairment) of trade and loan receivables	(91)	(11,290)	(43)	(16)	(1,929)	(1,296)	–	675	(13,990)
Reversal of impairment of property, plant and equipment	11,620	–	–	–	–	–	–	–	11,620
Segment results	45,438	19,923	25,427	83,148	(65,946)	(794)	(1,521)	199,905	305,580
Finance costs									(34,608)
Share of profits and losses of associates	(10,843)	–	–	46,547	–	68	–	–	35,772
Profit before tax									306,744
Tax									(24,648)
Profit for the year									282,096

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group

	Trading and manufacturing HK$'000	Securities and financial services HK$'000	Travel and related services HK$'000	Property investment and development HK$'000	Media and publications HK$'000	Information technology HK$'000	Agriculture and woods HK$'000	Investment holding HK$'000	Consolidated HK$'000
At 31 December 2007:									
Segment assets	806,028	1,204,517	167,300	1,708,344	60,190	74,810	83,948	138,382	4,243,519
Interests in associates	6,920	–	–	296,698	–	609	–	–	304,227
Due from associates	21,192	–	–	212,853	–	–	–	–	234,045
Unallocated corporate assets									12,227
Total assets									4,794,018
Segment liabilities	388,184	518,422	95,752	249,248	110,172	28,051	1,983	141,845	1,533,657
Unallocated corporate liabilities									1,001,319
Total liabilities									2,534,976
At 31 December 2006:									
Segment assets	1,032,005	866,223	202,501	1,282,454	97,815	54,276	70,008	134,395	3,739,677
Interests in associates	10,183	–	–	298,792	–	1,787	–	–	310,762
Non-current assets held for sale	–	–	–	53,300	–	–	–	–	53,300
Unallocated corporate assets									22,736
Total assets									4,126,475
Segment liabilities	592,198	366,869	163,788	135,217	156,937	22,349	3,364	83,372	1,524,094
Unallocated corporate liabilities									867,017
Total liabilities									2,391,111
Year ended 31 December 2007:									
Other segment information:									
Capital expenditure	40,384	3,264	2,170	38,810	1,603	578	2,041	–	88,850
Year ended 31 December 2006:									
Other segment information:									
Capital expenditure	121,805	1,260	684	2,770	1,971	481	603	2	129,576

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table provides an analysis of the Group's sales and results by geographical segment, irrespective of the origins of the goods/services:

	Sales revenue by geographical segment		Segment results by geographical segment	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC, including Hong Kong and Macau	**3,002,108**	2,528,062	**341,475**	218,350
United States of America	**1,260,659**	1,271,311	**61,215**	73,742
Europe	**457,341**	471,780	**20,201**	12,086
Japan	**11,898**	18,087	**539**	239
Others	**198,344**	155,132	**8,745**	1,163
	4,930,350	4,444,372	**432,175**	305,580

The following is an analysis of the carrying amounts of segment assets and additions to property, plant and equipment and construction in progress, analysed by geographical area in which the assets are located:

	Segment assets by geographical market		Capital expenditure by geographical market	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**2,489,124**	2,139,414	**9,595**	5,448
Other regions of Mainland China	**1,728,282**	1,576,037	**79,255**	124,110
Macau	**13**	369	**–**	–
Others	**26,100**	23,857	**–**	18
	4,243,519	3,739,677	**88,850**	129,576

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; commission and brokerage income, profit and loss on the trading of securities, interest income from the provision of financial services, and gross rental income received and receivable from investment properties during the year.

An analysis of revenue is as follows:

	2007	2006
	HK$'000	HK$'000
Revenue		
Sale of merchandise from the manufacturing and trading business	**2,092,199**	2,081,985
Sale of travel-related products	**2,170,221**	1,908,586
Income from publishing and printing and the provision of related services	**230,886**	197,815
Income from securities and financial business	**314,360**	159,240
Service income from the information and technology related business	**80,228**	72,050
Rental income	**41,057**	23,432
Sale of agricultural produce	**1,399**	1,264
	4,930,350	4,444,372

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2007 HK$'000	2006 HK$'000
Cost of inventories sold		**1,853,722**	1,850,622
Cost of services provided		**74,662**	42,304
Depreciation	15	**52,707**	59,258
Auditors' remuneration		**5,904**	5,539
Employee benefits expense (including directors' remuneration (note 8)):			
Pension scheme contributions		**17,523**	13,341
Less: Forfeited contributions		**(134)**	(521)
Net pension scheme contributions		**17,389**	12,820
Wages and salaries and other benefits		**707,245**	660,461
Equity-settled share option expense		**31,738**	6,711
Total employee benefits expense		**756,372**	679,992
Minimum lease payments under operating leases in respect of land and buildings		**25,448**	18,806
Gross rental income		**(41,057)**	(23,432)
Less: Direct operating expenses		**4,181**	4,175
Net rental income		**(36,876)**	(19,257)
Interest income from margin financing and money lending operations		**(67,734)**	(46,834)
Provision against obsolete inventories (included in cost of sales)*		**15,504**	12,863
(Gain)/loss on disposal of items of property, plant and equipment, net		**(5,109)**	53
Dilution gain on a subsidiary		**(4,209)**	(3,555)
Gain from securities, bullion and commodities trading, net		**(78,021)**	(22,588)
Bank interest income		**(3,573)**	(3,231)
Dividend income from listed investments		**(896)**	(2,192)
Recognition of prepaid land lease payments	17	**608**	750
Foreign exchange difference		**(1,275)**	(2,236)

* *The amount represents a write-down of inventories to their estimated net realisable values.*

At 31 December 2007, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2006: Nil).

7. FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable		
– within five years	**29,434**	31,919
– over five years	**1,582**	1,444
Interest on promissory note	**74**	–
Interest on finance leases	**775**	1,245
	31,865	34,608

8. DIRECTORS' REMUNERATION

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

	Group	
	2007	2006
	HK$'000	HK$'000
Fees	**640**	540
Other emoluments:		
Salaries, allowances and benefits in kind	**7,361**	5,760
Discretionary bonuses	**500**	–
Share option benefits	**15,361**	3,102
Pension scheme contributions	**293**	279
	24,155	9,681

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company, further details of which are set out in note 43 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2007	2006
	HK$'000	HK$'000
Mr. David John Blackett	**100**	100
Mr. Cheng Hong Kei	**50**	50
Mrs. Tse Wong Siu Yin, Elizabeth	**150**	60
	300	210

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Share option benefits HK$'000	Pension scheme contributions HK$'000
2007					
Executive directors:					
Mr. Ng Hung Sang ("Mr. Ng")	30	1,920	–	–	96
Ms. Cheung Choi Ngor	30	1,740	–	4,666	87
Mr. Richard Howard Gorges	30	1,997	–	2,823	87
Mr. Ng Yuk Fung, Peter	20	604	500	5,677	12
	110	6,261	500	13,166	282
Non-executive directors:					
Mr. David Michael Norman	120	–	–	–	–
Ms. Ng Yuk Mui, Jessica	110	1,100	–	2,195	11
	230	1,100	–	2,195	11
	340	7,361	500	15,361	293

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Share option benefits HK$'000	Pension scheme contributions HK$'000
2006					
Executive directors:					
Mr. Ng	30	1,920	–	–	96
Ms. Cheung Choi Ngor	30	1,740	–	849	87
Mr. Richard Howard Gorges	30	1,740	–	849	87
Mr. Ng Yuk Fung, Peter	20	360	–	1,404	9
	110	5,760	–	3,102	279
Non-executive directors:					
Mr. David Michael Norman	120	–	–	–	–
Ms. Ng Yuk Mui, Jessica	100	–	–	–	–
	220	–	–	–	–
	330	5,760	–	3,102	279

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2006: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2006: two) non-director, highest paid employees for the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**6,118**	4,265
Discretionary bonuses	**500**	–
Share option benefits	**3,340**	–
Pension scheme contributions	**36**	100
	9,994	4,365

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2007	2006
HK$2,000,001 to HK$2,500,000	**–**	2
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,000,001 to HK$5,500,000	**1**	–
	2	2

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2007	2006
	HK$'000	HK$'000
Group:		
Current - Hong Kong		
Charge for the year	**2,846**	4,764
(Over)/underprovision in prior years	**(87)**	3,494
Current - Elsewhere		
Charge for the year	**3,806**	3,797
(Over)/underprovision in prior years	**(433)**	90
Deferred (note 40)	**7,626**	12,503
Total tax charge for the year	**13,758**	24,648

10. TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Profit before tax	**591,990**	306,744
Tax at the statutory tax rate	**103,598**	53,680
Effect of different tax rates of operations in other jurisdictions	**(24,067)**	(2,073)
Profits and losses attributable to associates	**(35,388)**	(6,260)
Expenses not deductible for tax	**35,799**	27,746
Income not subject to tax	**(60,169)**	(72,052)
Tax losses utilised from previous periods	**(20,561)**	(8,429)
Tax losses not recognised	**14,734**	26,584
Adjustments in respect of current tax of previous periods	**(288)**	3,584
Tax losses arising from previous periods recognised	**–**	(448)
Others	**100**	2,316
Total tax charge for the year	**13,758**	24,648

The share of tax attributable to associates amounting to HK$46,514,000 (2006: HK$8,184,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a profit of HK$36,696,000 (2006: loss of HK$17,449,000) which has been dealt with in the financial statements of the Company (note 44(b)).

12. DIVIDENDS

	2007	2006
	HK$'000	HK$'000
Interim:		
HK1.4 cents (2006: Nil) per ordinary share	**25,528**	–
Proposed final:		
HK1.4 cents (2006: Nil) per ordinary share	**25,528**	–
	51,056	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to ordinary equity holders of the Company of HK$416,809,000 (2006: HK$205,318,000) and the weighted average number of 1,823,401,000 (2006: 1,823,401,000) ordinary shares in issue during the year.

The calculation of the diluted earnings per share amount for the year is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2007	2006
	HK$'000	HK$'000
Earnings		
Profit attributable to equity holders of the Company, used in the basic earnings per share calculation	**416,809**	205,318
Less: Effect of dilution of dilutive potential ordinary share of subsidiaries on earnings	**(5,618)**	–
Profit attributable to equity holder of the Company, used in the diluted earnings per share calculation	**411,191**	205,318

	Number of shares	
	2007	2006
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**1,823,401**	1,823,401

The Company's share options have no dilution effect for the year ended 31 December 2007 because the exercise price of the Company's share options was higher than average market price for shares for the year ended 31 December 2007.

Diluted earnings per share amount for the year ended 31 December 2006 had not been disclosed, as there was no dilution event existed in 2006.

14. BIOLOGICAL ASSETS

	Group 2007 HK$'000	Group 2006 HK$'000
Lychee trees:		
Carrying amount at 1 January	**49,037**	46,774
Gain arising from changes in fair value less estimated point-of-sale costs	**4,698**	2,887
Decrease due to harvest	**(172)**	(624)
Carrying amount at 31 December	**53,563**	49,037
Longan trees:		
Carrying amount at 1 January	**15,963**	15,226
Gain arising from changes in fair value less estimated point-of-sale costs	**1,519**	777
Decrease due to harvest	**(45)**	(40)
Carrying amount at 31 December	**17,437**	15,963
Total carrying amount at 31 December	**71,000**	65,000

Quantities of fruit trees:

	Number of trees '000	Number of trees '000
Lychee fruit trees	**333**	333
Longan fruit trees	**108**	108
	441	441

The fair value and saleable output of lychee and longan fruits at the point of harvest are analysed as follows:

	Group 2007 HK$'000	Group 2006 HK$'000
Fair value less estimated point-of-sale costs:		
Lychee fruits	**172**	624
Longans fruits	**45**	40
	217	664
	Tons	Tons
Saleable output:		
Lychee fruits	**81**	178
Longans fruits	**14**	10
	95	188

14. BIOLOGICAL ASSETS *(Continued)*

Significant assumptions made in determining the fair value of the biological assets are as follows:

(a) the fruit trees will continue to be competently managed and remain free from irremediable diseases in their remaining estimated useful lives;

(b) the expected prices of lychee and longan fruits are based on the past actual average district prices; and

(c) the future cash flows have been discounted at the target rate of return on equity of the agricultural produce segment.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Furniture and leasehold improvements HK$'000	Machinery and equipment HK$'000	Moulds and tools HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
31 December 2007						
At 31 December 2006 and at 1 January 2007:						
Cost or valuation	251,784	269,774	252,940	20,085	27,578	822,161
Accumulated depreciation and impairment	(22,147)	(226,813)	(174,517)	(11,457)	(22,906)	(457,840)
Net carrying amount	229,637	42,961	78,423	8,628	4,672	364,321
At 1 January 2007, net of accumulated depreciation and impairment	229,637	42,961	78,423	8,628	4,672	364,321
Additions	7,019	17,805	19,734	867	4,383	49,808
Acquisition of subsidiaries (note 45)	4,244	–	738	–	74	5,056
Disposals	(465)	(650)	(2,179)	(4)	(480)	(3,778)
Disposal of subsidiaries (note 46)	(2,116)	(1,998)	(10,307)	(6,070)	(75)	(20,566)
Reclassification	–	(504)	504	–	–	–
Depreciation provided during the year	(8,934)	(18,144)	(21,976)	(1,110)	(2,543)	(52,707)
Transfer to investment properties, net (note 16)	(6,010)	–	–	–	–	(6,010)
Fair value adjustment	11,602	–	–	–	–	11,602
Write-back of impairment	2,569	–	–	–	–	2,569
Exchange realignment	4,556	94	1,564	–	119	6,333
At 31 December 2007, net of accumulated depreciation and impairment	242,102	39,564	66,501	2,311	6,150	356,628
At 31 December 2007:						
Cost or valuation	293,177	284,051	266,644	10,852	29,472	884,196
Accumulated depreciation and impairment	(51,075)	(244,487)	(200,143)	(8,541)	(23,322)	(527,568)
Net carrying amount	242,102	39,564	66,501	2,311	6,150	356,628
Analysis of cost or valuation:						
At cost	245,668	284,051	266,644	10,852	29,472	836,687
At 31 December 1988 valuation	31,112	–	–	–	–	31,112
At 31 December 1989 valuation	5,220	–	–	–	–	5,220
At 31 December 1992 valuation	204	–	–	–	–	204
At 31 December 1994 valuation	10,973	–	–	–	–	10,973
	293,177	284,051	266,644	10,852	29,472	884,196

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

	Leasehold land and buildings HK$'000	Furniture and leasehold improvements HK$'000	Machinery and equipment HK$'000	Moulds and tools HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
31 December 2006						
At 31 December 2005 and 1 January 2006:						
Cost or valuation	245,750	289,886	258,390	12,719	29,298	836,043
Accumulated depreciation and impairment	(41,300)	(245,119)	(191,590)	(9,443)	(23,761)	(511,213)
Net carrying amount	204,450	44,767	66,800	3,276	5,537	324,830
At 1 January 2006, net of accumulated depreciation and impairment	204,450	44,767	66,800	3,276	5,537	324,830
Additions	–	13,173	18,452	369	1,146	33,140
Acquisition of subsidiaries (note 45)	47,674	5,329	14,671	10,028	814	78,516
Disposals	(2,203)	(3,636)	(1,171)	(285)	(304)	(7,599)
Reclassification	(432)	432	–	–	–	–
Depreciation provided during the year	(13,143)	(17,348)	(21,458)	(4,760)	(2,549)	(59,258)
Transfer from construction in progress (note 18)	3,208	–	–	–	–	3,208
Transfer to investment properties, net (note 16)	(25,368)	–	–	–	–	(25,368)
Fair value adjustment	1,571	–	–	–	–	1,571
Write-back of impairment	11,620	–	–	–	–	11,620
Exchange realignment	2,260	244	1,129	–	28	3,661
At 31 December 2006, net of accumulated depreciation and impairment	229,637	42,961	78,423	8,628	4,672	364,321
At 31 December 2006:						
Cost or valuation	251,784	269,774	252,940	20,085	27,578	822,161
Accumulated depreciation and impairment	(22,147)	(226,813)	(174,517)	(11,457)	(22,906)	(457,840)
Net carrying amount	229,637	42,961	78,423	8,628	4,672	364,321
Analysis of cost or valuation:						
At cost	204,275	269,774	252,940	20,085	27,578	774,652
At 31 December 1988 valuation	31,112	–	–	–	–	31,112
At 31 December 1989 valuation	5,220	–	–	–	–	5,220
At 31 December 1992 valuation	204	–	–	–	–	204
At 31 December 1994 valuation	10,973	–	–	–	–	10,973
	251,784	269,774	252,940	20,085	27,578	822,161

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's land and buildings are situated in Hong Kong, Taiwan and Mainland China and are held under the following lease terms:

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong		
Medium term leases	**108,692**	88,556
Long term leases	**28,497**	16,107
	137,189	104,663
Mainland China		
Medium term land use rights	**70,388**	92,368
In the process of applying land use rights*	**34,525**	31,446
	104,913	123,814
Taiwan		
Freehold	**–**	1,160
	242,102	229,637

* *As at 31 December 2007, the Group had not obtained land use right certificates in respect of the Group's certain leasehold properties in Mainland China amounting to approximately HK$34,525,000 (2006: HK$31,446,000).*

During the year, the Group transferred certain leasehold land and buildings of HK$6,010,000 (2006: HK$25,368,000), at fair value, to investment properties.

The net book value of the Group's machinery and equipment and motor vehicles held under finance leases and hire purchase contracts included in the total amount of machinery and equipment and motor vehicles at 31 December 2007 amounted to HK$14,240,000 (2006: HK$29,726,000).

Certain of the Group's land and buildings were revalued on and before 31 December 1994. The land and buildings were revalued at open market value, based on their existing use. Since 1995, no further revaluations of the Group's land and buildings have been carried out, as the Group has relied upon the exemption granted under the transitional provisions in paragraph 80A of HKAS 16, from the requirement to carry out future revaluations of property, plant and equipment which were stated at valuation at that time.

Had all land and buildings been carried at cost less accumulated depreciation and impairment losses, the net book value of the Group's land and buildings at 31 December 2007 would have been approximately HK$238,652,000 (2006: HK$226,187,000).

At 31 December 2007, certain of the Group's leasehold land and buildings and machinery and equipment with a net book value of approximately HK$81,551,000 (2006: HK$98,054,000), were pledged to secure banking facilities granted to the Group (note 34).

16. INVESTMENT PROPERTIES

	Group 2007 HK$'000	2006 HK$'000
Carrying amount at 1 January	**950,618**	497,483
Acquisition of subsidiaries (note 45)	**35,270**	449,771
Disposals	**–**	(35,257)
Net profit from a fair value adjustment	**144,530**	66,304
Transfer from leasehold land and buildings, net (note 15)	**6,010**	25,368
Transfer from/(to) non-current assets classified as held for sale (note 29)	**53,300**	(53,300)
Transfer from prepaid land lease payments (note 17)	**8,223**	–
Exchange realignment	**31,876**	249
Carrying amount at 31 December	**1,229,827**	950,618

The Group's investment properties are situated in Hong Kong, Taiwan and Mainland China, and are held under the following lease terms:

	Group 2007 HK$'000	2006 HK$'000
Hong Kong		
Medium term leases	**256,864**	304,779
Long term leases	**302,350**	166,100
	559,214	470,879
Mainland China		
Short term leases	**2,385**	–
Medium term leases	**642,128**	457,739
	644,513	457,739
Taiwan		
Freehold	**26,100**	22,000
	1,229,827	950,618

The Group's investment properties were revalued on 31 December 2007 by BMI Appraisals Limited, independent professionally qualified valuers, at HK$1,229,827,000 (2006: HK$950,618,000) on an open market, existing use basis. Certain investment properties are leased to third parties under operating leases, further summary details of which are included in note 50(a) to the financial statements.

At 31 December 2007, the Group's investment properties with a value of HK$633,719,000 (2006: HK$392,344,000) were pledged to secure general banking facilities granted to the Group (note 34).

As at 31 December 2007, the Group was in the process of applying the land use rights certificates in respect of the Group's certain investment properties located in Mainland China of approximately HK$547,032,000 (2006: HK$445,574,000).

Further particulars of the Group's investment properties are included on pages 129 to 132.

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at 1 January	**31,973**	18,433
Additions	**–**	64
Acquisition of subsidiaries (note 45)	**329**	14,226
Disposal of subsidiaries (note 46)	**(3,119)**	–
Transfer to investment properties, net (note 16)	**(8,223)**	–
Recognised during the year	**(608)**	(750)
Exchange realignment	**161**	–
Carrying amount at 31 December	**20,513**	31,973
Current portion included in prepayments, deposits and other receivables	**(486)**	(1,018)
Non-current portion	**20,027**	30,955

The leasehold land is held under medium term leases and is situated in Hong Kong and Mainland China.

18. CONSTRUCTION IN PROGRESS

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at 1 January	**208,737**	97,162
Exchange realignment	**15,665**	4,658
Acquisition of subsidiaries (note 45(b))	**–**	13,753
Additions	**39,042**	96,372
Transfer to property, plant and equipment (note 15)	**–**	(3,208)
Carrying amount at 31 December	**263,444**	208,737

19. LOANS RECEIVABLE

The Group's loans receivable arose from margin financing and money lending operations during the year.

The Group allows a credit period mutually agreed with the contracting parties. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding loans receivable and has a credit control department to minimise the credit risk. Loans for margin financing are secured by the pledge of customers' securities as collateral. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's loans and advances relate to a large number of diversified customers, there is no significant concentration of credit risk. Loans receivable bear interest at the rate mutually agreed with the contracting parties.

19. LOANS RECEIVABLE *(Continued)*

	Group	
	2007	2006
	HK$'000	HK$'000
Loans receivable	**267,845**	353,512
Impairment	**(31,221)**	(139,807)
	236,624	213,705
Portion classified as current assets	**(229,711)**	(207,726)
Portion classified as non-current assets	**6,913**	5,979
Market value of collateral at 31 December	**1,509,118**	933,550

At 31 December 2007, certain listed equity securities provided by certain subsidiaries and clients of approximately of HK$145,884,000 (2006: HK$158,294,000) as collateral were pledged to banks to secure banking facilities granted to the Group.

The carrying amounts of the Group's loans receivable approximate to their fair values.

The loans receivable at the balance sheet date are analysed by the remaining periods to their contractual maturity dates as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Repayable:		
On demand	**203,353**	184,578
Within 3 months	**9,081**	8,243
3 months to 1 year	**17,277**	14,905
1 year to 5 years	**6,913**	5,979
	236,624	213,705
Portion classified as current assets	**(229,711)**	(207,726)
Portion classified as non-current assets	**6,913**	5,979

The movements in the provision for impairment of loans receivable are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**139,807**	128,517
Impairment losses recognised	**6,195**	11,290
Impairment losses reversed	**(27,379)**	–
Amount written off as uncollectible, net	**(87,402)**	–
At 31 December	**31,221**	139,807

19. LOANS RECEIVABLE *(Continued)*

Included in the above provision for impairment of loans receivable is a provision for individually impaired loans receivable of HK$28,238,000 (2006: HK$137,689,000) with a carrying amount of HK$38,887,000 (2006: HK$167,085,000). The individually impaired loans receivable relate to customers that were in default or delinquency in payments and only a portion of the receivables is expected to be recovered. The Group holds certain listed equity securities of clients as collateral over these individually impaired loans receivable.

The aged analysis of the loans receivable that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Neither past due nor impaired	**216,938**	166,982
Less than 1 month past due	**493**	1,320
1 to 3 months past due	**222**	232
3 to 12 months past due	**1,081**	705
	218,734	169,239

Loans receivable that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Loans receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group holds certain listed equity securities of clients as collateral over these loans receivable.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**527,702**	527,702
Due from a subsidiary	**286,043**	314,595
	813,745	842,297

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment, except for last year amount of HK$45,507,000 due from a subsidiary which bears interest at the Hong Kong Dollar Prime Rate plus 3% per annum. In the opinion of the directors, the amount due from a subsidiary is not repayable within 12 months from the balance sheet date and is therefore shown in the balance sheet as non-current. In the opinion of the directors, the amount due from a subsidiary approximates to its fair value.

Details of the Company's principal subsidiaries are set out in note 58 to the financial statements.

21. INTERESTS IN ASSOCIATES

	Group 2007 HK$'000	Group 2006 HK$'000
Share of net assets:		
Unlisted associates	**292,172**	93,589
Advances to associates	**23,255**	217,950
Amounts due to associates	**–**	(77)
Provision for impairment#	**(11,200)**	(700)
	12,055	217,173
	304,227	310,762

\# An impairment was recognised for advances to associates with a carrying amount of HK$11,200,000 (before deducting the impairment loss) (2006: HK$700,000) because certain associates of the Group were making loss persistently.

The movement in the provision for impairment of interest in associates are as follows:

	Group 2007 HK$'000	Group 2006 HK$'000
At 1 January	**700**	700
Impairment losses recognised	**10,500**	–
At 31 December	**11,200**	700

During the year, the Group, through a wholly-owned subsidiary of SCC, acquired an additional 41.7% interest in Nanjing South China Power Capacitors Co., Ltd. ("SC Power Capacitors"), a then 51% owned associate of the Group, indirectly through the acquisition of an 85% interest in Power Capacitors. Subsequent to the acquisition, SC Power Capacitors is an indirect subsidiary of the Company. Further details of the acquisition are included in note 45(a) to the financial statements.

Except for the amount due from Firm Wise Investment Limited ("FWIL") of HK$212,853,000 (2006: HK$213,651,000) which bears interest at a rate of 0.5% (2006: 0.5%) per annum, the amounts with associates are unsecured, interest-free and have no fixed terms of repayment.

In the opinion of the directors, advances to associates of HK$23,255,000 (2006: HK$217,950,000) are not repayable within 12 months from the balance sheet date and are classified in the balance sheet as non-current accordingly. The carrying amounts of the balances with associates approximate to their fair values.

As at 31 December 2007, the Group has given guarantees with a total amount of HK$210,000,000 (2006: HK$210,000,000) to secure banking facilities granted to FWIL, out of which HK$191,850,000 (2006: HK$203,100,000) was utilised. The banking facilities are due to mature in November 2010. The advances to FWIL and guarantees given were used to finance a property project in Hong Kong.

21. INTERESTS IN ASSOCIATES *(Continued)*

The following table illustrates the summarised financial information of FWIL, extracted from its management accounts as adjusted for the fair value of the investment properties based on the valuation performed by BMI Appraisals Limited.

	2007 HK$'000	2006 HK$'000
Assets	**2,617,367**	1,790,219
Liabilities	**1,638,377**	1,506,416
Turnover	**113,002**	87,267
Profit	**705,187**	155,617

The following table illustrates the summarised financial information of the Group's other associates extracted from their management accounts and financial statements.

Other associates

	2007 HK$'000	2006 HK$'000
Assets	**114,505**	108,197
Liabilities	**123,524**	86,204
Turnover	**89,170**	16,210
Loss	**(34,940)**	(7,382)

Details of the principal associates are set out in note 59 to the financial statements.

22. GOODWILL

	Group	
	2007 HK$'000	2006 HK$'000
At 1 January:		
Cost	**22,070**	8,497
Accumulated impairment	**(625)**	(625)
Net carrying amount	**21,445**	7,872
Carrying amount at 1 January	**21,445**	7,872
Acquisition of subsidiaries (note 45)	**2,010**	13,573
Disposal of subsidiaries (note 46)	**(13,573)**	–
Carrying amount at 31 December	**9,882**	21,445
At 31 December:		
Cost	**10,507**	22,070
Accumulated impairment	**(625)**	(625)
Net carrying amount	**9,882**	21,445

The amount of goodwill remaining in the consolidated reserves, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was HK$1,238,000 (2006: HK$1,238,000) as at 31 December 2007.

22. GOODWILL *(Continued)*

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to the following cash generating units, which are reportable segments, for impairment testing:

- Property investment and development cash-generating unit;
- Toy and footwear products cash-generating unit;
- Travel business cash-generating unit; and
- Information technology business cash-generating unit.

Property investment and development cash-generating unit

The recoverable amount of the property investment and development cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 16.4% and cash flows beyond the five-year period are extrapolated using a growth rate of 5% which is the same as the long term average growth rate of the property investment and development industry.

Toy and footwear products cash-generating unit

The recoverable amount of the toy and footwear products cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 16.4% (2006: 17.3%) and cash flows beyond the five-year period are extrapolated using a growth rate of 7.2% (2006: 7.2%) which is the same as the long term average growth rate of the toy products industry.

Travel business cash-generating unit

The recoverable amount of the travel business cash-generating unit is also determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 9.6% (2006: 10.5%). The growth rate used to extrapolate the cash flows of the travel business unit beyond the five-year period is 3.6% (2006: 3.6%) which is the same as the long term average growth rate of the travel business industry.

Information technology business cash-generating unit

The recoverable amount of the information technology business cash-generating unit is also determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 9.6% (2006: 10.5%). The growth rate used to extrapolate the cash flows of the information technology business unit beyond the five-year period is 3.6% (2006: 3.6%) which is the same as the long term average growth rate of the information technology business industry.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2007	2006
	HK$'000	HK$'000
Cash-generating units:		
Property investment and development	**2,010**	–
Toy and footwear products	**1,374**	14,947
Travel business	**2,994**	2,994
Information technology business	**3,504**	3,504
	9,882	21,445

22. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Key assumptions were used in the value in use calculation of the property investment and development business, toy and footwear products, travel business and information technology business cash-generating units for 31 December 2007 and 31 December 2006. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

23. INTANGIBLE ASSETS

	Group	
	2007	2006
	HK$'000	HK$'000
Cost at 1 January and at 31 December, net of accumulated amortisation	**836**	836
At 31 December:		
Cost	**1,619**	1,619
Accumulated amortisation	**(783)**	(783)
Net carrying amount	**836**	836

Intangible assets are Trading Rights that have no expiry date and, in the opinion of the directors, are having indefinite useful lives.

Pursuant to the restructuring of the Stock Exchange and the Hong Kong Futures Exchange Limited (the "Futures Exchange"), effective on 6 March 2000, the Group received four Stock Exchange Trading Rights, five Futures Exchange Trading Rights and 10,187,500 ordinary shares of HK$1 each in Hong Kong Exchanges and Clearing Limited (the "HKEC Shares") in exchange for its four shares previously held in the Stock Exchange and five shares previously held in the Futures Exchange.

The carrying costs of the previously held shares in the Stock Exchange and the Futures Exchange have been apportioned to the Stock Exchange Trading Rights, the Futures Exchange Trading Rights and the HKEC Shares on the basis of the respective estimated fair values on 6 March 2000.

The Stock Exchange Trading Rights and the Futures Exchange Trading Rights have been classified as intangible assets as disclosed above and have been treated under the accounting policy as set out in note 2.6 to the financial statements.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007	2006
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at fair value	**–**	39,089
Club debentures and membership	**36,686**	18,968
Unlisted equity investments, at cost	**2,304**	2,145
	38,990	60,202

During the year, the fair value gain of the Group's listed equity securities recognised directly in equity amounting to HK$66,794,000 (2006: HK$3,410,000) of which HK$56,206,000 (2006: HK$ 604,000) was removed from equity and recognised in the income statement and no impairment of the Group's debentures was recognised in the income statement (2006: Nil).

The above investments consist of investments in equity securities, club debentures and memberships which have no fixed maturity date or coupon rate.

The fair values of listed equity investment are based on quoted market prices. The fair values of club debentures and membership have been estimated using a valuation technique based on assumption that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected proceeds on subsequent disposal. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated balances sheet, and the related changes in fair values, which are recorded in the consolidated statement of changes in equity, are reasonable, and that they were the most appropriate values at the balance sheet date.

The directors consider that the fair value of the unlisted equity investments cannot be measured reliably given the absence of market information for companies of similar nature and scale and that the probabilities of the various estimates to be used in estimating fair value cannot be reasonably assessed. An such, the unlisted equity investments are carried at cost.

25. OTHER NON-CURRENT ASSETS

	Group	
	2007	2006
	HK$'000	HK$'000
Membership in Chinese Gold and Silver Exchange	**1,280**	1,280
Statutory deposits in respect of securities and commodities dealings	**4,445**	5,276
Deposit for acquisition of properties	**6,622**	6,622
Land development costs	**18,887**	17,614
Berths	**16,666**	16,666
	47,900	47,458

Berths owned by the Group are stated at cost less impairment, at HK$16,666,000 as at 31 December 2007 (2006: HK$16,666,000).

26. INVENTORIES

	Group 2007 HK$'000	Group 2006 HK$'000
Raw materials	**171,438**	218,446
Work in progress	**108,832**	136,467
Finished goods	**86,237**	91,285
	366,507	446,198
Provision against obsolete inventories	**(75,654)**	(84,915)
	290,853	361,283

At 31 December 2007, the Group's inventories with a value of HK$144,027,000 (2006: HK$102,688,000) were pledged to secure general banking facilities granted to the Group (note 34).

27. TRADE AND OTHER RECEIVABLES

	Group 2007 HK$'000	Group 2006 HK$'000
Trade receivables	**456,979**	465,341
Impairment	**(73,975)**	(86,317)
	383,004	379,024

Included in trade and other receivables of the Group are trade receivables of HK$383,004,000 (2006: HK$379,024,000). The Group's trading terms with its customers are on credit with credit periods ranging from two days to three months, depends on a number of factors including trade practices, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

The carrying amounts of the Group's and Company's other receivables, prepayments and deposits approximate to their fair values. None of the other receivables, prepayments and deposits is either past due or impaired. The financial assets included in these balances relate to receivables for which there was no recent history of default.

At 31 December 2007, trade receivables with a carrying value of HK$17,021,000 (2006: HK$26,496,000) were pledged to secure general banking facilities granted to the Group (note 34).

The carrying amounts of the trade and other receivables approximate to their fair values.

27. TRADE AND OTHER RECEIVABLES *(Continued)*

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within 90 days	**345,839**	346,375
91 to 180 days	**29,819**	24,179
181 to 365 days	**3,434**	5,154
Over 1 year	**3,912**	3,316
	383,004	379,024

The movements in provision for impairment of trade receivables are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**86,317**	83,449
Impairment losses recognised	**10,898**	5,603
Amount written off as uncollectible	**(12,355)**	(621)
Impairment loss reversed	**(10,108)**	(2,229)
Exchange realignment	**222**	115
Disposal of subsidiaries	**(999)**	–
	73,975	86,317

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$73,975,000 (2006: HK$86,317,000) with a carrying amount of HK$75,493,000 (2006: HK$103,039,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group holds certain listed equity securities of clients as collateral over these individually impaired trade receivable.

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Neither past due nor impaired	**231,760**	210,397
1 to 3 months past due	**119,148**	120,322
3 to 6 months past due	**23,018**	23,939
6 to 12 months past due	**5,164**	5,319
Over 1 year past due	**2,396**	2,324
	381,486	362,301

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

27. TRADE AND OTHER RECEIVABLES *(Continued)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group holds certain listed equity securities of clients as collateral over these individually impaired trade receivables.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**241,036**	132,496

The above financial assets at 31 December 2007 were classified as held for trading, of which approximately HK$127,096,000 (2006: HK$49,839,000) was pledged to banks to secure banking facilities granted to the Group.

The market values of the Group's listed equity investments at the date of approval of these financial statements were approximately HK$178,964,000.

29. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

In the prior year, the Group committed to a plan to sell certain of its investment properties in Hong Kong and Mainland China (the ''Disposable Assets'') which generate minimal profits to the Group, so that the Group can focus on its property development business in Mainland China which the Group considered to be more profitable. The disposal of the Disposable Assets was expected to be due in the current year. During the year, the Disposable Assets were classified as investment properties because the committed plan had been terminated.

	Group	
	2007	2006
	HK$'000	HK$'000
Assets		
Investment properties, at fair value	**–**	53,300

At 31 December 2006, the Group's non-current assets classified as held for sale with a value of HK$28,000,000 were pledged and mortgaged to secure general banking facilities and bank loans granted to the Group (note 34).

30. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

		Group		Company	
		2007	2006	**2007**	2006
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**281,881**	365,891	**141**	67
Time deposits		**18,730**	17,630	**–**	–
		300,611	383,521	**141**	67
Less: Pledged time deposits:					
Pledged for a guarantee provided to Hong Kong Exchanges and Clearing Limited for commodities dealings		**(5,000)**	(5,000)	**–**	–
Pledged for a guarantee provided to Hong Kong Exchanges and Clearing Limited for securities dealings		**(500)**	(500)	**–**	–
Pledged for bank overdraft facilities	34	**(13,230)**	(12,130)	**–**	–
		(18,730)	(17,630)	**–**	–
Cash and cash equivalents		**281,881**	365,891	**141**	67

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$57,626,000 (2006: HK$67,341,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

31. CASH HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash held on behalf of clients under the current assets section of the balance sheet and recognised the corresponding accounts payable to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

32. CLIENT DEPOSITS

The Group's client deposits arose from securities, bullion and commodities dealings.

The client deposits are unsecured, bear interest at the bank deposit savings rate (2006: bank deposit savings rate) and are repayable on demand.

Included in client deposits are deposits from directors of a subsidiary and of the Group of HK$73,163,000 (2006: HK$44,000) and Nil (2006: HK$7,176,000), respectively, which are subject to similar terms to those offered by the Group to its major clients.

The carrying amounts of the Group's client deposits approximate to their fair values.

33. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$529,948,000 (2006: HK$684,948,000) and their aged analysis based on the invoice date is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within 90 days	**428,172**	563,608
91 to 180 days	**54,970**	64,737
181 to 365 days	**26,834**	35,861
Over 365 days	**19,972**	20,742
	529,948	684,948

The trade payables are non-interest-bearing and are normally settled on 2 to 210 days' terms. The trade payables related to securities, bullion and commodities dealings are non-interest-bearing and payable on the settlement dates of the relevant trades or upon demand of customers. The carrying amounts of the trade and other payables approximate to their fair values.

Other payables are non-interest-bearing and have an average term of three months. The Group's and the Company's other payables and accruals approximate to their fair values.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2007 HK$'000	Group 2006 HK$'000	Company 2007 HK$'000	Company 2006 HK$'000
Current						
Finance lease payables (note 35)	1.9-8.8	2008	**5,642**	9,519	**–**	–
Bank overdrafts – unsecured	7.0-7.8	On demand	**19,582**	61,968	**–**	–
Bank overdrafts – secured	7.0-8.0	On demand	**16,448**	35,788	**–**	30,007
Bank loans – unsecured	5.0-10.1	2008	**107,385**	57,680	**–**	–
Bank loans – secured	3.5-7.5	2008	**297,887**	311,155	**–**	8,500
Trust receipt loans	4.4-6.8	2008	**144,027**	102,688	**–**	–
			590,971	578,798	**–**	38,507
Non-current						
Finance lease payables (note 35)	2.8-8.8	2009-2010	**2,055**	6,862	**–**	–
Bank loans – unsecured	5.6-6.9	2009-2011	**2,691**	1,339	**–**	–
Bank loans – secured	3.5-7.5	2009-2017	**230,699**	180,338	**–**	7,000
			235,445	188,539	**–**	7,000
			826,416	767,337	**–**	45,507
Analysed into:						
Bank loans and overdrafts repayable:						
within one year or on demand			**585,329**	569,279	**–**	38,507
in the second year			**84,229**	56,445	**–**	1,500
in the third to fifth years, inclusive			**61,988**	98,296	**–**	4,500
over five years			**87,173**	26,936	**–**	1,000
			818,719	750,956	**–**	45,507
Other borrowings repayable:						
Within one year or on demand			**5,642**	9,519	**–**	–
In the second year			**2,011**	5,282	**–**	–
In the third to fifth years, inclusive			**44**	1,580	**–**	–
			7,697	16,381	**–**	–
			826,416	767,337	**–**	45,507

34. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) At the balance sheet date, the Group's overdraft facilities amounting to approximately HK$99,447,000 (2006: HK$186,688,000) and bank loans facilities amounting to approximately HK$1,139,427,000 (2006: HK$1,086,075,000) are secured by:

(i) a charge over the Group's investment properties situated in Hong Kong and Mainland China, which had an aggregate carrying value at the balance sheet date of approximately HK$633,719,000 (2006: HK$392,344,000) (note 16);

(ii) pledges over the Group's inventories which had an aggregate carrying value at the balance sheet date of approximately HK$144,027,000 (2006: HK$102,688,000) (note 26);

(iii) a charge over the Group's certain leasehold land and buildings and machinery and equipment which had an aggregate carrying value at the balance sheet date of approximately HK$81,551,000 (2006: HK$98,054,000) (note 15);

(iv) the pledge of certain of the Group's time deposits amounting to HK$13,230,000 (2006: HK$12,130,000) (note 30);

(v) the pledge of certain of the Group's trade receivables amounting to HK$17,021,000 (2006: HK$26,496,000) (note 27);

(vi) listed equity investments belonging to the Group and clients totalling approximately HK$272,980,000 (2006: HK$208,133,000); and

(vii) the pledge of the Group's non-current assets held for sale which had, in aggregate, a carrying value of approximately HK$28,000,000 in the prior year (note 29).

(b) All other borrowings are in Hong Kong dollars, except:

(i) secured bank loans of HK$19,436,000 (2006: HK$9,370,000) which are denominated in Renminbi; and

(ii) bank loans of HK$16,116,000 (2006: HK$80,579,000) which are denominated in United States dollars.

The carrying amounts of the Group's bank and other borrowings approximates to their fair values. The fair values of the bank and other borrowings is the present value of future cash flows, discounted at prevailing interest rates at 31 December 2007.

35. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery and motor vehicle for its magazine publishing, manufacturing and travel businesses. These leases are classified as finance leases and have remaining lease terms ranging from one to three years.

At 31 December 2007, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**5,914**	10,273	**5,642**	9,519
In the second year	**2,073**	5,558	**2,011**	5,282
In the third year to fifth years, inclusive	**59**	1,622	**44**	1,580
Total minimum finance lease payments	**8,046**	17,453	**7,697**	16,381
Future finance charges	**(349)**	(1,072)		
Total net finance lease payables	**7,697**	16,381		
Portion classified as current liabilities	**(5,642)**	(9,519)		
Non-current portion	**2,055**	6,862		

36. ADVANCES FROM SHAREHOLDERS

The advances from shareholders are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within 12 months from the balance sheet date and are therefore shown in the balance sheet as non-current. The carrying amounts of the Group's advances from shareholders approximate to their fair values.

37. ADVANCES FROM/TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The advances from/to minority shareholders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the advances from minority shareholders of subsidiaries amounted to HK$54,842,000 (2006: HK$53,249,000) will not be repayable within 12 months from the balance sheet date and are therefore shown in the balance sheet as non-current. The carrying amounts of the Group's advances from/to minority shareholders approximate to their fair values.

38. DUE FROM/TO RELATED COMPANIES

The amounts due from/to related companies of the Group, in which certain directors have beneficial interests are unsecured, interest-free and are repayable on demand. The carrying values of the amounts due from/to related companies approximate to their fair values.

38. DUE FROM/TO RELATED COMPANIES *(Continued)*

Particulars of an amount due from related companies, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

	31 December 2007 HK$'000	Maximum amount outstanding during the year HK$'000	1 January 2007 HK$'000
Jessica Publications (BVI) Limited	5,158	5,158	–

39. PROVISION FOR SEVERANCE PAYMENT

	Group	
	2007 HK$'000	2006 HK$'000
At 1 January	**32,601**	–
Acquisition of a subsidiary (note 45)	**7,500**	32,754
Amount utilised during the year	**(1,273)**	–
Exchange realignment	**2,431**	(153)
At 31 December	**41,259**	32,601
Portion classified as current liabilities	**–**	–
Non-current portion	**41,259**	32,601

40. DEFERRED TAX

The movements of deferred tax liabilities and assets during the year are as follows:

Group

Deferred tax liabilities

	2007			
	Losses available for offset against future taxable profits HK$'000	**Depreciation allowance in excess of related depreciation HK$'000**	**Revaluation of properties HK$'000**	**Total HK$'000**
At 1 January 2007	**(12,129)**	**8,780**	**143,104**	**139,755**
Deferred tax debited/(credited) to the income statement during the year (note 10)	**(2,760)**	**7,165**	**(3,300)**	**1,105**
Deferred tax debited to equity during the year	**–**	**–**	**2,900**	**2,900**
Exchange realignment	**–**	**(196)**	**6,697**	**6,501**
At 31 December 2007	**(14,889)**	**15,749**	**149,401**	**150,261**

40. DEFERRED TAX *(Continued)*

Deferred tax assets

	2007			
	Losses available for offset against future taxable profits HK$'000	**Provision HK$'000**	**Depreciation allowance in excess of related depreciation HK$'000**	**Total HK$'000**
At 1 January 2007	**6,989**	**2,765**	**22**	**9,776**
Deferred tax debited to the income statement during the year (note 10)	**(6,516)**	**–**	**(5)**	**(6,521)**
At 31 December 2007	**473**	**2,765**	**17**	**3,255**

Deferred tax liabilities

	2006			
	Losses available for offset against future taxable profits HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2006	(11,790)	9,950	17,622	15,782
Deferred tax debited/(credited) to the income statement during the year (note 10)	(339)	(1,016)	9,613	8,258
Acquisition of a subsidiary (note 45(b))	–	–	115,869	115,869
Exchange realignment	–	(154)	–	(154)
Gross deferred tax liabilities recognised in the consolidated balance sheet at 31 December 2006	(12,129)	8,780	143,104	139,755

40. DEFERRED TAX *(Continued)*

Deferred tax assets

	2006			
	Losses available for offset against future taxable profits HK$'000	Provision HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Total HK$'000
At 1 January 2006	11,233	2,765	23	14,021
Deferred tax debited to the income statement during the year (note 10)	(4,244)	–	(1)	(4,245)
Gross deferred tax assets recognised in the consolidated balance sheet at 31 December 2006	6,989	2,765	22	9,776

The Group has tax losses of HK$1,094,545,000 (2006: HK$1,626,712,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. A deferred tax asset has been recognised in respect of HK$87,783,000 (2006: HK$109,246,000) of these tax losses. No deferred tax assets have been recognised in respect of the remaining HK$1,006,762,000 (2006: HK$1,517,466,000) as they have arisen in companies that have been loss-making for some time.

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Tax losses	**1,006,762**	1,517,466	**5,621**	5,152
Deductible temporary differences	**2,905**	5,536	**–**	–
	1,009,667	1,523,002	**5,621**	5,152

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

At 31 December 2007, there was no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or joint venture entities as the Group has no liability to additional tax should such amounts be remitted due to the availability of double tax relief.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

41. PROMISSORY NOTES

	Effective interest rate (%)	Group 2007 HK$'000	2006 HK$'000
Issued to a substantial shareholder	2.00	**95,959**	–

During the year, the Group issued promissory notes with principal amounts of HK$95,959,000 to a substantial shareholder of the Group, including companies owned by the same, in respect of the acquisition of the 67.66% equity interest in SCL as further detailed in note 2.1(ii) to the financial statements. The Group also acquired 0.03% equity interest in SCL on market. The promissory notes are unsecured, bears interest at 2% per annum and are wholly repayable on 17 June 2009. The carrying amount of the promissory notes approximates to its fair value.

42. SHARE CAPITAL

Shares

	2007 HK$'000	2006 HK$'000
Authorised:		
4,000,000,000 (2006: 4,000,000,000) ordinary shares of HK$0.025 (2006: HK$0.025) each	**100,000**	100,000
Issued and fully paid:		
1,823,401,376 (2006: 1,823,401,376) ordinary shares of HK$0.025 (2006: HK$0.025) each	**45,584**	45,584

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 43 to the financial statements.

43. SHARE OPTION SCHEMES

The directors and employees of the Company and its subsidiaries are entitled to participate in share option schemes operated by the Company and its subsidiaries. Details of these schemes of the Company and its subsidiaries (collectively the "Share Option Schemes") are as follows:

(a) Purpose of the Share Option Schemes

In order to provide the Company, SCC, South China Financial Holdings Limited ("SCFH") and SCL (collectively the "Companies") with a flexible means of giving incentives to or rewarding the participants for their contribution to the Companies and to enable the Companies to attract and retain employees of appropriate qualifications and with necessary experience to work for the Companies and any entity in which any member of the Group holds equity interests (the "Invested Entity"), the shareholders of each of the Company, SCC and SCFH approved the adoption of the share option schemes of the Company, SCC and SCFH at the respective annual general meetings held on 31 May 2002 while the share option scheme of SCL was approved by the shareholders of SCL on 24 June 2002.

(b) Participants of the Share Option Schemes

According to the Companies' Share Option Schemes, the respective board may, at its absolute discretion, grant options to any person belonging to any of the following classes of participants to subscribe for shares:

(1) For the share option schemes of the Company, SCC and SCFH

- (i) any executive director, employee or proposed employee (whether full time or part time) of any member of the relevant group or any Invested Entity or substantial shareholder;
- (ii) any non-executive director (including any independent non-executive director) of any member of the relevant group or any Invested Entity or substantial shareholder;
- (iii) any individual for the time being seconded to work for any member of the relevant group or any Invested Entity or substantial shareholder;
- (iv) any shareholder of any member of the relevant group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the relevant group or any Invested Entity or substantial shareholder;
- (v) any business partner, consultant or contractor of any member of the relevant group or any Invested Entity or substantial shareholder;
- (vi) any supplier of goods or services to any member of the relevant group or any Invested Entity or substantial shareholder;
- (vii) any customer of any member of the relevant group or any Invested Entity or substantial shareholder;
- (viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the relevant group or any Invested Entity or substantial shareholder; and
- (ix) any company wholly owned by one or more persons belonging to any of the above classes of participants.

43. SHARE OPTION SCHEMES *(Continued)*

(b) Participants of the Share Option Schemes *(Continued)*

(2) For the share option scheme of SCL

The board of directors of SCL or a duly authorised committee thereof, may, at its discretion, grant options to any full time or part time employee (including any executive and non-executive director or proposed executive and non-executive director) of SCL and its subsidiaries (the "SCL Group"), adviser, consultant, contractor, client or supplier who have contributed to the SCL Group, to subscribe for shares of HK$0.01 each in the share capital of SCL ("SCL Shares") in accordance with the provisions of its scheme.

(c) Total number of shares available for issue under the Share Option Schemes

As at the date of this Annual Report, the total number of shares available for issue under the Share Option Schemes of the Companies are as follows:

(i) A total of 79,540,137 shares of the Company are available for issue under the Company's share option scheme, which represents 4.36% of the issued share capital of the Company as at the date of this Annual Report.

(ii) A total of 162,467,371 shares of SCC are available for issue under SCC's share option scheme, which represents 6.13% of the issued share capital of SCC as at the date of this Annual Report

(iii) A total of 143,443,674 shares of SCFH are available for issue under SCFH's share option scheme, which represents 2.85% of the issued share capital of SCFH as at the date of this Annual Report

(iv) A total of 34,649,834 shares of SCL are available for issue under SCL's share option scheme, which represents 6.84% of the issued share capital of SCL as at the date of this Annual Report

(d) Maximum entitlement of each participant

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted under the respective share option scheme (including both exercised and outstanding options) in any 12-month period up to the date of grant to such participant would exceed 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in a general meeting with the proposed participant and his associates (as defined in the Listing Rules) abstaining from voting.

(e) Period within which the shares must be taken up under an option

The respective board may, at its absolute discretion, determine the period during which a share option may be exercised, and such period should expire no later than 10 years from the date of grant. The respective board may also impose restrictions on the exercise of a share option during the exercise period.

(f) Minimum period, if any, for which an option must be held before it can be exercised

There is no specific requirement under the respective share option scheme that an option must be held for any minimum period before it can be exercised, but the terms of the respective share option scheme provide that the board has the discretion to specify a minimum period at the time of grant of any particular option.

43. SHARE OPTION SCHEMES *(Continued)*

(g) Amount payable upon acceptance of the option and the period within which payment must be made

An amount of HK$1 for each lot of share options granted is payable upon acceptance of the options within five business days from the date of offer of grant of share options.

(h) Basis of determining the exercise price options

The exercise price is determined by the respective board, and shall be at least the highest of: (i) the closing price of the respective company's shares as stated in the Stock Exchange's daily quotation sheet on the date of offer; (ii) the average closing price of the respective company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of grant; and (iii) the nominal value of the respective company's shares.

(i) Remaining life of the Share Option Schemes

Subject to early termination of the Share Option Schemes pursuant to the terms thereof, the share option schemes for the Company and SCFH will be valid and effective for a period of 10 years commencing on the date on which they became unconditional on 28 June 2002 while SCC's share option scheme will be valid and effective for a period of 10 years commencing on the date on which it became unconditional on 18 June 2002. SCL's share option scheme shall be valid and effective for a period of 10 years commencing from the date of which it became effective on 18 July 2002.

Saved as disclosed below, Nority International Group Limited ("NIG"), a then subsidiary of the Group had been disposed during the year and the Group had withdrawn from the NIG's share option scheme.

Share option scheme of the Company

The following share options were outstanding under the share option scheme of the Company during the year:

	2007		2006	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**–**	**–**	–	–
Granted during the year	**2.0**	**103,800**	–	–
Forfeited during the year	**–**	**–**	–	–
Exercised during the year	**–**	**–**	–	–
At 31 December	**2.0**	**103,800**	–	–

43. SHARE OPTION SCHEMES *(Continued)*

Share option scheme of the Company *(Continued)*

The following share options were outstanding under the share option scheme of the Company during the year:

Name or category of participant	Number of share options: Outstanding as at 1 January 2007	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2007	Date of grant of share options* (DD/MM/YYYY)	Exercise period of share options (DD/MM/YYYY)	Subscription price per share ** HK$	Price of the Company's shares ***: Immediately preceding the grant date of share options HK$ per share	Immediately preceding the exercise date of share options HK$ per share
Directors of the Company											
Ms. Cheung Choi Ngor	–	6,000,000	–	–	–	6,000,000	18/09/2007	18/09/2008 to 17/09/2017	2.00	1.43	N/A
	–	6,000,000	–	–	–	6,000,000	18/09/2007	18/09/2009 to 17/09/2017	2.00	1.43	N/A
	–	6,000,000	–	–	–	6,000,000	18/09/2007	18/09/2010 to 17/09/2017	2.00	1.43	N/A
Mr. Richard Howard Gorges	–	6,000,000	–	–	–	6,000,000	18/09/2007	18/09/2008 to 17/09/2017	2.00	1.43	N/A
	–	6,000,000	–	–	–	6,000,000	18/09/2007	18/09/2009 to 17/09/2017	2.00	1.43	N/A
	–	6,000,000	–	–	–	6,000,000	18/09/2007	18/09/2010 to 17/09/2017	2.00	1.43	N/A
Ms. Ng Yuk Mui, Jessica	–	6,000,000	–	–	–	6,000,000	18/09/2007	18/09/2008 to 17/09/2017	2.00	1.43	N/A
	–	6,000,000	–	–	–	6,000,000	18/09/2007	18/09/2009 to 17/09/2017	2.00	1.43	N/A
	–	6,000,000	–	–	–	6,000,000	18/09/2007	18/09/2010 to 17/09/2017	2.00	1.43	N/A
Mr. Ng Yuk Fung, Peter	–	6,000,000	–	–	–	6,000,000	18/09/2007	18/09/2008 to 17/09/2017	2.00	1.43	N/A
	–	6,000,000	–	–	–	6,000,000	18/09/2007	18/09/2009 to 17/09/2017	2.00	1.43	N/A
	–	6,000,000	–	–	–	6,000,000	18/09/2007	18/09/2010 to 17/09/2017	2.00	1.43	N/A
Sub-total	–	72,000,000	–	–	–	72,000,000					
Employees of the Group											
In aggregate	–	10,599,998	–	–	–	10,599,998	18/09/2007	18/09/2008 to 17/09/2017	2.00	1.43	N/A
	–	10,599,999	–	–	–	10,599,999	18/09/2007	18/09/2009 to 17/09/2017	2.00	1.43	N/A
	–	10,600,003	–	–	–	10,600,003	18/09/2007	18/09/2010 to 17/09/2017	2.00	1.43	N/A
Sub-total	–	31,800,000	–	–	–	31,800,000					
Total	–	103,800,000	–	–	–	103,800,000					

Notes:

* All share options granted are subject to a vesting period and become exercisable in the following manner:

From the date of grant of share options	**Exercisable percentage** %
Within 12 months	Nil
13th month – 120th month	not more than $33^1/_3$
25th month – 120th month	not more than $66^2/_3$
37th month – 120th month	100

The unexercised share options of each exercise period shall lapse at the end of the respective exercise period.

43. SHARE OPTION SCHEMES *(Continued)*

Share option scheme of the Company *(Continued)*

** The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of the Company.

*** The price of the Company's shares disclosed as immediately preceding the grant date of the share options is the closing price of the shares on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options. The price of the Company's shares disclosed immediately preceding the exercise date of the share options is the weighted average of the closing prices of the shares on the Stock Exchange immediately before the date on which the options were exercised.

The fair value of the share options of the Company granted during the year was HK$63,725,000 (2006: Nil). The Company recognised a share option expense of HK$11,138,000 (2006: Nil) during the year ended 31 December 2007.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a trinomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2007
Dividend yield (%)	**0.00**
Average expected volatility (%)	**68.57**
Average historical volatility (%)	**68.57**
Average risk-free interest rate (%)	**3.96**
Expected life of options (year)	**3-5**
Weighted average share price (HK$)	**1.374**

The expected life of the options is based on the contractual life and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

Share option scheme of SCC

The following share options were outstanding under the share option scheme of SCC during the year:

	2007		2006	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**–**	**–**	–	–
Granted during the year	**1.5**	**115,100**	–	–
Forfeited during the year	**1.5**	**(600)**	–	–
Exercised during the year	**–**	**–**	–	–
At 31 December	**1.5**	**114,500**	–	–

43. SHARE OPTION SCHEMES *(Continued)*

Share option scheme of SCC *(Continued)*

The following share options were outstanding under the share option scheme of SCC during the year:

Name or category of participant	Number of share options: Outstanding as at 1 January 2007	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2007	Date of grant of share options* (DD/MM/YYYY)	Exercise period of share options (DD/MM/YYYY)	Subscription price per share ** HK$	Price of SCC's shares ***: Immediately preceding the grant date of share options HK$ per share	Immediately preceding the exercise date of share options HK$ per share
Directors of the Company											
Ms. Cheung	–	8,666,666	–	–	–	8,666,666	18/09/2007	18/09/2008 to 17/09/2017	1.50	0.90	N/A
Choi Ngor	–	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2009 to 17/09/2017	1.50	0.90	N/A
	–	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2010 to 17/09/2017	1.50	0.90	N/A
Mr. Ng Yuk Fung,	–	8,666,666	–	–	–	8,666,666	18/09/2007	18/09/2008 to 17/09/2017	1.50	0.90	N/A
Peter	–	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2009 to 17/09/2017	1.50	0.90	N/A
	–	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2010 to 17/09/2017	1.50	0.90	N/A
Sub-total	–	52,000,000	–	–	–	52,000,000					
Consultants	–	1,399,999	–	–	–	1,399,999	18/09/2007	18/09/2008 to 17/09/2017	1.50	0.90	N/A
In aggregate	–	1,399,999	–	–	–	1,399,999	18/09/2007	18/09/2009 to 17/09/2017	1.50	0.90	N/A
	–	1,400,002	–	–	–	1,400,002	18/09/2007	18/09/2010 to 17/09/2017	1.50	0.90	N/A
Sub-total	–	4,200,000	–	–	–	4,200,000					
Employees of the group#											
In aggregate	–	15,799,997	–	(200,000)	–	15,599,997	18/09/2007	18/09/2008 to 17/09/2017	1.50	0.90	N/A
	–	15,799,998	–	(200,000)	–	15,599,998	18/09/2007	18/09/2009 to 17/09/2017	1.50	0.90	N/A
	–	15,800,005	–	(200,000)	–	15,600,005	18/09/2007	18/09/2010 to 17/09/2017	1.50	0.90	N/A
	–	3,833,332	–	–	–	3,833,332	25/09/2007	25/09/2008 to 24/09/2017	1.50	0.90	N/A
	–	3,833,332	–	–	–	3,833,332	25/09/2007	25/09/2009 to 24/09/2017	1.50	0.90	N/A
	–	3,833,336	–	–	–	3,833,336	25/09/2007	25/09/2010 to 24/09/2017	1.50	0.90	N/A
Sub-total	–	58,900,000	–	(600,000)	–	58,300,000					
Total	–	115,100,000	–	(600,000)	–	114,500,000					

Notes:

* All share options granted are subject to a vesting period and become exercisable in the following manner:

From the date of grant of share options	**Exercisable percentage** %
Within 12 months	Nil
13th month – 120th month	not more than $33^1/_3$
25th month – 120th month	not more than $66^2/_3$
37th month – 120th month	100

The unexercised share options of each exercise period shall lapse at the end of the respective exercise period.

43. SHARE OPTION SCHEMES *(Continued)*

Share option scheme of SCC *(Continued)*

Notes: (Continued)

** The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of SCC.

*** The price of SCC's shares disclosed as immediately preceding the grant date of the share options is the closing price of the shares on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options. The price of SCC's shares disclosed immediately preceding the exercise date of the share options is the weighted average of the closing prices of the shares on the Stock Exchange immediately before the date on which the options were exercised.

During the year, 600,000 share options granted to an employee were lapsed after his resignation, and the share options were added back to the pool of outstanding share options.

The fair value of the share options of SCC granted during the year was HK$62,481,000 (2006: Nil). SCC recognised a share option expense of HK$10,787,000 (2006: Nil) during the year ended 31 December 2007.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a trinomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2007
Dividend yield (%)	**3.0**
Average expected volatility (%)	**101.01**
Average historical volatility (%)	**101.01**
Average risk-free interest rate (%)	**3.96**
Expected life of options (year)	**3-5**
Weighted average share price (HK$)	**0.88**

The expected life of the options is based on the contractual life and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

Share option scheme of SCFH

The following share options were outstanding under the share option scheme of SCFH during the year:

	2007		2006	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.128**	**238,000**	–	–
Granted during the year	**0.164**	**202,000**	0.128	238,000
Forfeited during the year	**0.134**	**(97,250)**	–	–
Exercised during the year	**0.128**	**(23,500)**	–	–
At 31 December	**0.149**	**319,250**	0.128	238,000

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.216 (2006: Nil).

43. SHARE OPTION SCHEMES *(Continued)*

Share option scheme of SCFH *(Continued)*

The following share options were outstanding under the share option scheme of SCFH during the year:

	Number of share options									Price of the SCFH's shares ***	
Name or category of participant	Outstanding as at 1 January 2007	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2007	Date of grant of share options* (DD/MM/YYYY)	Exercise period of share options (DD/MM/YYYY)	Subscription price per share ** HK$	Immediately preceding the grant date of share options HK$ per share	Immediately preceding the exercise date of share options HK$ per share
Directors of the Company											
Ms. Cheung	10,000,000	–	(10,000,000)	–	–	–	16/03/2006	16/03/2007 – 15/03/2009	0.128	0.104	0.212
Choi Ngor	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2008 – 15/03/2010	0.128	0.104	N/A
	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128	0.104	N/A
Mr. Richard	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2007 – 15/03/2009	0.128	0.104	N/A
Howard Gorges	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2008 – 15/03/2010	0.128	0.104	N/A
	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128	0.104	N/A
Mr. Ng Yuk Fung,	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2007 – 15/03/2009	0.128	0.104	N/A
Peter	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2008 – 15/03/2010	0.128	0.104	N/A
	10,000,000	–	–	–	–	10,000,000	16/03/2006	16/03/2009 – 15/03/2011	0.128	0.104	N/A
	6,666,667	–	–	–	–	6,666,667	26/04/2006	26/04/2007 – 25/04/2009	0.128	0.110	N/A
	6,666,667	–	–	–	–	6,666,667	26/04/2006	26/04/2008 – 25/04/2010	0.128	0.110	N/A
	6,666,666	–	–	–	–	6,666,666	26/04/2006	26/04/2009 – 25/04/2011	0.128	0.110	N/A
Sub-total	110,000,000	–	(10,000,000)	–	–	100,000,000					
Consultants											
In aggregate	–	1,000,000	–	–	–	1,000,000	10/07/2007	10/07/2008 – 9/07/2010	0.172	0.170	N/A
	–	1,000,000	–	–	–	1,000,000	10/07/2007	10/07/2009 – 9/07/2011	0.172	0.170	N/A
	–	1,000,000	–	–	–	1,000,000	10/07/2007	10/07/2010 – 9/07/2012	0.172	0.170	N/A
Sub-total	–	3,000,000	–	–	–	3,000,000					
Employees											
In aggregate	36,000,000	–	(13,500,000)	(10,333,333)	–	12,166,667	16/03/2006	16/03/2007 – 15/03/2009	0.128	0.104	0.224
	36,000,000	–	–	(10,333,333)	–	25,666,667	16/03/2006	16/03/2008 – 15/03/2010	0.128	0.104	N/A
	36,000,000	–	–	(10,333,334)	–	25,666,666	16/03/2006	16/03/2009 – 15/03/2011	0.128	0.104	N/A
	6,666,667	–	–	–	–	6,666,667	26/04/2006	26/04/2007 – 25/04/2009	0.128	0.110	N/A
	6,666,667	–	–	–	–	6,666,667	26/04/2006	26/04/2008 – 25/04/2010	0.128	0.110	N/A
	6,666,666	–	–	–	–	6,666,666	26/04/2006	26/04/2009 – 25/04/2011	0.128	0.110	N/A
	–	16,666,667	–	(16,666,667)	–	–	16/02/2007	16/02/2008 – 15/02/2010	0.128	0.090	N/A
	–	16,666,667	–	(16,666,667)	–	–	16/02/2007	16/02/2009 – 15/02/2011	0.128	0.090	N/A
	–	16,666,666	–	(16,666,666)	–	–	16/02/2007	16/02/2010 – 15/02/2012	0.128	0.090	N/A
	–	32,166,667	–	(5,083,333)	–	27,083,334	12/04/2007	12/04/2008 – 11/04/2010	0.161	0.156	N/A
	–	32,166,667	–	(5,083,333)	–	27,083,334	12/04/2007	12/04/2009 – 11/04/2011	0.161	0.156	N/A
	–	32,166,666	–	(5,083,334)	–	27,083,332	12/04/2007	12/04/2010 – 11/04/2012	0.161	0.156	N/A
	–	1,000,000	–	–	–	1,000,000	17/04/2007	17/04/2008 – 16/04/2010	0.161	0.148	N/A
	–	1,000,000	–	–	–	1,000,000	17/04/2007	17/04/2009 – 16/04/2011	0.161	0.148	N/A
	–	1,000,000	–	–	–	1,000,000	17/04/2007	17/04/2010 – 16/04/2012	0.161	0.148	N/A
	–	1,666,667	–	(333,333)	–	1,333,334	23/04/2007	23/04/2008 – 22/04/2010	0.161	0.136	N/A
	–	1,666,667	–	(333,333)	–	1,333,334	23/04/2007	23/04/2009 – 22/04/2011	0.161	0.136	N/A
	–	1,666,666	–	(333,334)	–	1,333,332	23/04/2007	23/04/2010 – 22/04/2012	0.161	0.136	N/A
	–	4,833,333	–	–	–	4,833,333	10/07/2007	10/07/2008 – 09/07/2010	0.172	0.170	N/A
	–	4,833,333	–	–	–	4,833,333	10/07/2007	10/07/2009 – 09/07/2011	0.172	0.170	N/A
	–	4,833,334	–	–	–	4,833,334	10/07/2007	10/07/2010 – 09/07/2012	0.172	0.170	N/A
	–	2,000,000	–	–	–	2,000,000	10/09/2007	10/09/2008 – 09/09/2010	0.227	0.212	N/A
	–	2,000,000	–	–	–	2,000,000	10/09/2007	10/09/2009 – 09/09/2011	0.227	0.212	N/A
	–	2,000,000	–	–	–	2,000,000	10/09/2007	10/09/2010 – 09/09/2012	0.227	0.212	N/A
	–	8,000,000	–	–	–	8,000,000	17/10/2007	17/10/2008 – 16/10/2010	0.227	0.183	N/A
	–	8,000,000	–	–	–	8,000,000	17/10/2007	17/10/2009 – 16/10/2011	0.227	0.183	N/A
	–	8,000,000	–	–	–	8,000,000	17/10/2007	17/10/2010 – 16/10/2012	0.227	0.183	N/A
Sub-total	128,000,000	199,000,000	(13,500,000)	(97,250,000)	–	216,250,000					
Total	238,000,000	202,000,000	(23,500,000)	(97,250,000)	–	319,250,000					

43. SHARE OPTION SCHEMES *(Continued)*

Share option scheme of SCFH *(Continued)*

Notes:

* All share options granted are subject to a vesting period and become exercisable in the following manner:

From the date of grant of share options	Exercisable percentage %
Within 12 months	Nil
13th month – 36th month	$33^1/_3$
25th month – 48th month	$33^1/_3$
37th month – 60th month	$33^1/_3$

The unexercised share options of each exercise period shall lapse at the end of the respective exercise period.

** The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of SCFH.

*** The price of SCFH's shares disclosed as immediately preceding the grant date of the share options is the closing price of the shares on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options. The price of the SCFH's shares disclosed immediately preceding the exercise date of the share options is the weighted average of the closing prices of the shares on the Stock Exchange immediately before the date on which the options were exercised.

The fair value of the share options of SCFH granted during the year was HK$15,760,000 (HK$0.0314 to HK$0.1384 each) (2006: HK$0.0538 to HK$0.0768 each). SCFH recognised a share option expense of HK$7,862,000 (2006: HK$6,711,000) during the year ended 31 December 2007.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2007	2006
Dividend yield (%)	**1.19**	0.00
Average expected volatility (%)	**77.04**	85.43
Average historical volatility (%)	**77.04**	85.43
Average risk-free interest rate (%)	**4.11**	4.38
Expected life of options (year)	**3 – 5**	3 – 5
Weighted average share price (HK$)	**0.155**	0.109

The expected life of the options is based on the contractual life and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

43. SHARE OPTION SCHEMES *(Continued)*

Share option scheme of SCL

The following share options were outstanding under the share option scheme of SCL during the year:

	2007		2006	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	–	–	–	–
Granted during the year	**0.247**	**16,000**	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
At 31 December	**0.247**	**16,000**	–	–

The following share options were outstanding under the share option scheme of SCL during the year:

Name or category of participant	Number of share options: Outstanding as at 1 January 2007	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2007	Date of grant of share options* (DD/MM/YYYY)	Exercise period of share options (DD/MM/YYYY)	Subscription price per share ** HK$	Price of SCL's shares ***: Immediately preceding the grant date of share options HK$ per share	Immediately preceding the exercise date of share options HK$ per share
Directors of the Company											
Mr. Ng Yuk Fung, Peter	–	5,000,000	–	–	–	5,000,000	14/03/2007	14/03/2008 – 13/03/2012	0.2166	0.20	N/A
	–	5,000,000	–	–	–	5,000,000					
Others											
In aggregate	–	6,000,000	–	–	–	6,000,000	14/03/2007	14/03/2008 – 13/03/2012	0.2166	0.20	N/A
	–	3,000,000	–	–	–	3,000,000	02/04/2007	02/04/2008 – 01/04/2012	0.3150	0.29	N/A
	–	2,000,000	–	–	–	2,000,000	10/05/2007	10/05/2008 – 09/05/2012	0.3100	0.29	N/A
	–	11,000,000	–	–	–	11,000,000					
	–	16,000,000	–	–	–	16,000,000					

Notes:

As at 1 January 2006, a director of SCL who resigned during the year had a total of 5,064,983 options. During the year prior to the date of resignation, 5,064,983 granted options lapsed during the year up to the date of resignation.

43. SHARE OPTION SCHEMES *(Continued)*

Share option scheme of SCL *(Continued)*

Notes: *(Continued)*

* All share options granted are subject to a vesting period and become exercisable in the following manner:

From the date of grant of share options	**Exercisable percentage** %
Within 12 months	Nil
13th month – 36th month	$33^1/_3$
25th month – 48th month	$33^1/_3$
37th month – 60th month	$33^1/_3$

The unexercised share options of each exercise period shall lapse at the end of the respective exercise period.

** The subscription price of the share options is subject to adjustment in the case of rights or bonus issues, or other alteration in the capital structure of SCL.

*** The price of SCL's shares disclosed as immediately preceding the grant date of the share options is the closing price of the shares on the Stock Exchange on the trading day immediately prior to the date of the grant of the share options. The price of the SCL's shares disclosed immediately preceding the exercise date of the share options is the weighted average of the closing prices of the shares on the Stock Exchange immediately before the date on which the options were exercised.

The fair value of the share options of SCL granted during the year was HK$3,765,000 (2006: Nil). SCL recognised a share option expense of HK$1,951,000 (2006: Nil) during the year ended 31 December 2007.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2007	2006
Dividend yield (%)	**–**	–
Average expected volatility (%)	**464**	–
Average historical volatility (%)	**464**	–
Average risk-free interest rate (%)	**4.20**	–
Expected life of options (year)	**5**	–
Weighted average share price (HK$)	**0.228**	–

The expected life of the options is based on the contractual life and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

44. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 30 to 31 of the financial statements.

(b) Company

	Share premium account HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2006	253,234	56	286,429	–	212,062	751,781
Loss for the year	–	–	–	–	(17,449)	(17,449)
At 31 December 2006	253,234	56	286,429	–	194,613	734,332
Equity-settled share option arrangements	–	–	–	11,138	–	11,138
Profit for the year	–	–	–	–	36,696	36,696
Interim 2007 dividend	–	–	–	–	(25,528)	(25,528)
Proposed final 2007 dividend	–	–	–	–	(25,528)	(25,528)
At 31 December 2007	253,234	56	286,429	11,138	180,253	731,110

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation in 1992.

The Company's reserves available for distribution represent the share premium account, contributed surplus, share option reserve and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2007 amounted to approximately HK$756,582,000 (2006: HK$734,276,000).

45. BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY INTERESTS

(a) On 16 April 2007, the Group, through a wholly-owned subsidiary of SCC acquired an 85% interest in 南京電力電容器有限公司 ("Power Capacitors") from a holding company of a joint venture partner of a former associate. Power Capacitors is engaged in property investment and manufacturing of power capacitors. The purchase consideration for the acquisition was in the form of cash of RMB1,211,000. Subsequent to the acquisition, the Group has control on SC Power Capacitors with an effective interest of 69.3%.

On 17 April 2007, the Group, through a wholly-owned subsidiary of SCC acquired the entire interest in Grandbase Universal Limited ("Grandbase") at a cash consideration of HK$2. Grandbase is engaged in property investment and development.

45. BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY INTERESTS *(Continued)*

(a) *(Continued)*

The fair values of the identifiable assets and liabilities of Power Capacitors and Grandbase as at the dates of acquisition and their corresponding carrying amounts immediately before their acquisitions were as follows:

	Fair value recognised on acquisition Power Capacitors HK$'000	**Fair value recognised on acquisition Grandbase** HK$'000	**Carrying amount Power Capacitors** HK$'000	**Carrying amount Grandbase** HK$'000
Property, plant and equipment	5,056	–	5,056	–
Investment properties	35,270	–	30,887	–
Prepaid land lease payments	329	–	329	–
Available-for-sale financial assets	20	–	20	–
Inventories	512	–	512	–
Trade receivables	548	–	548	–
Prepayments, deposits and other receivables	731	–	731	–
Amount due from the immediate holding company	2,752	–	2,752	–
Amount due from a subsidiary	–	2,521	–	2,521
Amount due from a minority shareholder	246	–	246	–
Cash and bank balances	54	3	54	3
Trade payables	(1,622)	–	(1,622)	–
Other payables and accruals	(10,726)	–	(10,726)	–
Amount due to a fellow subsidiary	(102)	–	(102)	–
Amount due to an intermediate holding company	(2,033)	–	(2,033)	–
Amount due to a related party	–	(2,897)	–	(2,897)
Interest-bearing bank and other borrowings	(17,789)	–	(17,789)	–
Tax payable	(3)	–	(3)	–
Provision for severance payment	(7,500)	–	(7,500)	–
Minority interests	130	–	130	–
	5,873	(373)	1,490	(373)
Goodwill on acquisition (note 22)	1,637	373		
	7,510	–		
Satisfied by:				
Cash	1,231	–		
Reclassification from interests in associate to interests in subsidiary	6,279	–		
	7,510	–		

45. BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY INTERESTS *(Continued)*

(a) *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	Power Capacitors HK$'000	**Grandbase** HK$'000
Cash consideration	1,231	–
Cash and bank balances acquired	(54)	(3)
Net outflow/(inflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	1,177	(3)

(i) Power Capacitors' investment properties, prepaid land lease payments and leasehold buildings were revalued on 31 December 2007 by BMI Appraisals Limited, on an open market, existing use basis.

Since the acquisition on 16 April 2007, Power Capacitors contributed a profit of HK$3,266,000 to the Group's consolidated profit for the year ended 31 December 2007.

(ii) Since the acquisition on 17 April 2007, Grandbase contributed a loss of HK$518,000 to the Group's consolidated profit for the year ended 31 December 2007.

(b) In prior year, the Group, through a wholly-owned subsidiary of SCC acquired an 87% interest in 南京微分電機有限公司 ("Weifen") from the holding company of a joint venture partner of a former associate. Weifen is engaged in property investment. The purchase consideration for the acquisition was in the form of cash, with RMB41,655,000 at the acquisition date. Subsequent to the acquisition, the Group has control on Nanjing South China Dafang Electronic Co., Ltd ("Dafang") with an effective interest of 70%.

In prior year, the Group, through a wholly-owned subsidiary of SCC, acquired additional 52.8% interest in Nority International Group Limited ("NIG"), a former associate of the Group listed on the Stock Exchange. NIG is engaged in the manufacturing of shoes and footwear products. The purchase consideration for the acquisition was in the form of cash of HK$67,310,000.

45. BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY INTERESTS *(Continued)*

(b) *(Continued)*

The fair values of the identifiable assets and liabilities of Weifen and NIG as at the dates of acquisition and their corresponding carrying amounts immediately before their acquisitions were as follows:

	Fair value recognised on acquisition NIG	**Fair value recognised on acquisition Weifen**	**Carrying amount NIG**	**Carrying amount Weifen**
	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	71,232	7,284	71,232	2,545
Investment properties	4,197	445,574	4,197	94,455
Non-current portion of prepaid land lease payments	11,486	2,085	11,486	15,747
Construction in progress	10,410	3,343	10,410	3,343
Available-for-sale financial assets	1,643	2,145	1,643	2,145
Loans receivable	1,670	–	1,670	–
Deferred tax assets	–	–	10,656	–
Inventories	16,499	–	16,499	–
Trade receivables	23,769	–	23,769	–
Current portion of prepaid land lease payments	326	329	326	–
Prepayments, deposits and other receivables	2,069	16,488	2,069	16,488
Amounts due from associates	–	3,600	–	3,600
Financial assets at fair value through profit or loss	360	–	360	–
Tax recoverable	409	–	409	–
Cash and bank balances	18,496	17,818	18,496	17,818
Trade and bills payables	(20,255)	(96)	(20,255)	(96)
Other payables and accruals	(21,717)	(27,824)	(21,717)	(27,824)
Amount due to the holding company	–	(11,226)	–	(11,226)
Amount due to a minority shareholder	–	(25,835)	–	(25,835)
Interest-bearing bank and other borrowings	–	(17,938)	–	(17,938)
Tax payable	(2,017)	(338)	(2,017)	(338)
Provision for severance payment	–	(32,754)	–	(32,754)
Deferred tax liabilities	–	(115,869)	–	–
Minority interests	(11,514)	(18,836)	(11,514)	(16,186)
	107,063	247,950	117,719	23,944
Goodwill on acquisition (note 22)	13,573	–		
Excess over the cost of business combination	–	(154,005)		
	120,636	93,945		
Satisfied by:				
Cash	67,310	40,727		
Reclassification from interests in associates to interests in subsidiaries	53,326	53,218		
	120,636	93,945		

45. BUSINESS COMBINATIONS AND ACQUISITION OF MINORITY INTERESTS *(Continued)*

(b) *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries is as follow:

	Fair value recognised on acquisition NIG HK$'000	**Fair value recognised on acquisition Weifen** HK$'000
Cash consideration	67,310	40,727
Cash and bank balances acquired	(18,496)	(17,818)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	48,814	22,909

Weifen's investment properties, prepaid land lease payments and leasehold buildings were revalued on 31 August 2006 by BMI Appraisals Limited, on an open market, existing use basis. The value of net assets attributable to the Group acquired, including investment properties, prepaid land lease payments and leasehold buildings, all being at fair value exceeds the consideration paid for the acquisition, thus giving rise to an excess over the cost of business combination, which was recognised in the income statement.

Since the acquisition on 2006, Weifen contributed a profit of HK$91,000 to the Group's consolidated profit for the year ended 31 December 2006.

Since the acquisition of the controlling stake in 2006, NIG contributed a loss of HK$34,105,000 to the Group's consolidated profit for the year ended 31 December 2006.

(c) In the prior year, the Group, through a wholly-owned subsidiary of SCC, acquired an additional 31.83% interest in Wah Shing International Holdings Limited ("Wah Shing"), a subsidiary of the Company previously listed on the Singapore Exchange Securities Trading Limited, after its approval for the privatisation of Wah Shing in February 2006. Wah Shing then became a 100% wholly owned subsidiary of SCC. Wah Shing is engaged in the trading and manufacturing of toys and footwear, securities investments and property investment and development. The total purchase consideration for the acquisition was in the form of cash, with HK$ 78,361,000 paid at the acquisition dates and the excess over the cost of acquisition of HK$87,303,000 was recognised in the consolidated income statement.

46. DISPOSAL OF INTERESTS IN SUBSIDIARIES

In January 2007, the Group disposed of its entire interest in NIG and a 65% interest in Nority Limited (collectively the "Nority Group"), a wholly-owned subsidiary of NIG to an independent third party for a cash consideration of HK$102 million. NIG is a listed company on the mainboard of the Stock Exchange of Hong Kong and is engaged in the manufacturing of shoes and footwear products.

	NIG
	HK$'000
Net assets disposed of:	
Property, plant and equipment	20,566
Prepaid land lease payments	3,119
Goodwill	13,573
Available-for-sale financial assets	228
Cash and bank balances	21,935
Inventories	28,916
Trade receivables	13,526
Prepayments and other receivables	2,847
Trade payables	(26,665)
Accruals and other payables	(14,048)
Tax payable	(1,005)
Minority interests	(1,130)
	61,862
Gain on disposal of a subsidiary	65,956
	127,818
Satisfied by:	
Cash	101,905
Non-interest-bearing loan to NIG	10,000
Amount due from NIG	14,988
Interests in associate	925
	127,818

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of interests in subsidiaries is as follows:

	NIG
	HK$'000
Cash consideration	101,905
Cash and bank balances disposed of	(21,935)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	79,970

Prior to the disposal, the contribution from the Nority Group to the Group's consolidated profit for the year ended 31 December 2007 was insignificant.

47. MAJOR NON-CASH TRANSACTIONS

Promissory notes of HK$95,959,000 were issued for the acquisition of 67.66% interest in SCL. During the year ended 31 December 2007, additions to plant and equipment amounting to approximately HK$1,105,000 (2006: HK$8,326,000) were financed by new finance leases.

48. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Guarantees given to banks in connection with banking facilities granted to an associate, FWIL	**210,000**	210,000
Undertaking given to a third party for banking facilities utilised by an associate	**13,526**	13,526
	223,526	223,526

As at 31 December 2007, the banking facilities guaranteed by the Group to FWIL were utilised to the extent of approximately HK$191,850,000 (2006: HK$203,100,000) (note 21).

At the balance sheet date, the Company had no significant contingent liabilities.

49. PLEDGES OF ASSETS

At the balance sheet date, certain of the Group's assets were pledged to secure the banking facilities granted to the Group and are analysed as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Net book value of pledged assets:		
Investment properties	**633,719**	392,344
Property, plant and machinery	**81,551**	98,054
Inventories	**144,027**	102,688
Non-current assets held for sale	**–**	28,000
Financial assets at fair value through profit or loss	**127,096**	49,839
Bank deposits	**13,230**	12,130
Trade receivables	**17,021**	26,496
	1,016,644	709,551

50. OPERATING LEASES ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16) under operating lease arrangements, with leases negotiated for terms ranging from one to eight years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**32,286**	28,841
In the second to fifth years, inclusive	**74,216**	63,993
Over five years	**17,279**	30,300
	123,781	123,134

(b) As lessee

The Group leases certain of its factory premises and office properties under operating lease arrangements. Leases for these factory premises are negotiated for terms ranging from one to five years, and those for office properties are for terms ranging from one to seven years.

At 31 December 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**19,574**	20,928
In second to fifth years, inclusive	**41,797**	39,739
Over five years	**61,492**	66,747
	122,863	127,414

51. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 50(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2007	2006
	HK$'000	HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**9,089**	8,624
Land use rights	**2,927**	2,730
Expenditure in respect of construction in progress	**18,588**	–
Other equity investments	**15,977**	–
	46,581	11,354
Authorised, but not contracted for:		
Property, plant and equipment	**1,702**	6,816

At the balance sheet date, the Company did not have any significant capital commitments (2006: Nil).

52. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

Name of related party	Nature of transaction	Notes	2007 HK$'000	2006 HK$'000
Associates	Interest income	(ii)	**(1,062)**	(1,065)
	Rental income	(iii)	**(2,719)**	–
Honbridge Management Limited* (formerly known as "Jessica Management Limited")	Administrative fee income received	(i)	**(985)**	(720)
	Colour separation and photo processing income received	(i)	**(425)**	(783)
	Rental income received	(i)	**(306)**	(283)
Directors and companies in which certain directors have beneficial interests	Commission, interest and brokerage fee income received from directors and companies in which certain directors have beneficial interests	(iv)	**(7,453)**	(2,883)
	Management fee income	(i)	–	(900)

* Mr. Ng Hung Sang, a director of the Company, is also a former director and substantial shareholder of this company.

52. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(i) These transactions were carried out on terms determined and agreed by both parties.

(ii) The interest was charged at a rate of 0.5% (2006: 0.5%) per annum on the outstanding advances to an associate.

(iii) The rental income arose from the letting of a property of the Group to an associate for the manufacturing goods in accordance with the tenancy agreement.

(iv) The commission and brokerage income relates to the Group's securities broking business and was calculated by the reference to commission and brokerage charged to third party clients. The interest income relates to the Group's margin financing business and was calculated at 4% over the Hong Kong Dollar Prime Rate (2006: 4% over the Hong Kong Dollar Prime Rate) per annum.

(b) Other transactions with related parties:

Details of a guarantee given by the Group to an associate are set out in note 48 to the financial statements.

(c) Outstanding balances with related parties:

Details of the balances with related parties at the balance sheet date are included in notes 21, 36, 37 and 38 to the financial statements.

(d) Compensation of key management personnel of the Group:

The executive directors and the non-executive directors are the key management personnel to the Group. Details of their remuneration are disclosed in note 8 to the financial statements.

53. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2007

Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available–for-sale financial assets HK$'000	Total HK$'000
Advances to associates (note 21)	–	23,255	–	23,255
Available-for-sale financial assets	–	–	38,990	38,990
Trade and other receivables	–	578,052	–	578,052
Loans receivable	–	236,624	–	236,624
Financial assets at fair value through profit or loss	241,036	–	–	241,036
Due from related companies	–	5,158	–	5,158
Due from associates	–	234,045	–	234,045
Advances to minority shareholders of subsidiaries	–	14,105	–	14,105
Pledged bank deposits	–	18,730	–	18,730
Cash held on behalf of clients	–	538,546	–	538,546
Cash and cash equivalents	–	281,881	–	281,881
	241,036	1,930,396	38,990	2,210,422

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Client deposits	518,718
Trade and other payables	793,015
Interest-bearing bank and other borrowings	826,416
Advances form shareholders	14,529
Advances from minority shareholders of subsidiaries	56,970
Promissory notes	95,959
Due to related companies	13,207
	2,318,814

53. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows (*continued*):

2006

Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available–for-sale financial assets HK$'000	Total HK$'000
Advances to associates (note 21)	–	217,950	–	217,950
Advailable-for-sale financial assets	–	–	60,202	60,202
Trade and other receivables	–	521,019	–	521,019
Loans receivable	–	213,705	–	213,705
Financial assets at fair value through profit or loss	132,496	–	–	132,496
Due from related companies	–	306	–	306
Advance to minority shareholders of subsidiaries	–	14,403	–	14,403
Pledged bank deposits	–	17,630	–	17,630
Cash held on behalf of clients	–	363,372	–	363,372
Cash and cash equivalents	–	365,891	–	365,891
	132,496	1,714,276	60,202	1,906,974

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Amount due to associates (note 21)	77
Client deposits	359,586
Trade and other payables	980,840
Interest-bearing bank and other borrowings	767,337
Advances form shareholders	21,896
Advances from minority shareholders of subsidiaries	53,249
Due to related companies	62
	2,183,047

53. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows (*continued*):

Financial assets

	Company	
	2007	2006
	Loans and receivables	Loans and receivables
	HK$'000	HK$'000
Due from a subsidiary (note 20)	**286,043**	314,595
Cash and bank balances	**141**	67
	286,184	314,662

Financial liabilities

	Company	
	2007	2006
	Financial liabilities at amortised cost	Financial liabilities at amortised cost
	HK$'000	HK$'000
Other payables and accruals	**11,638**	16,941
Interest-bearing bank borrowings	**–**	45,507
	11,638	62,448

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, other interest-bearing loans, equity securities, finance leases, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's net debt obligations with a floating interest rate. The majority of the bank borrowings bear interest at interest rates with reference to the HIBOR whereas loans to customers bear interest at interest rates with reference to the prime rate. As the prime rate in Hong Kong basically changes in line with the HIBOR, the Group's exposure to the risk of changes in market interest rates is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate net borrowings).

	Group			
	Increase in basis points	**Increase/ (decrease) in profit before tax**	**Decrease in basis points**	**Increase/ (decrease) in profit before tax**
		HK$'000		HK$'000
2007				
RMB	**50**	**191**	**50**	**(191)**
United States dollar	**50**	**(81)**	**50**	**81**
Hong Kong dollar	**50**	**(1,419)**	**50**	**1,419**
2006				
RMB	50	290	50	(290)
United States dollar	50	(403)	50	403
Hong Kong dollar	50	(637)	50	637

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi and United States dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The directors consider that the exchange rates of the Hong Kong dollar against the Renminbi and United States dollar in the foreseeable future are expected to be relatively stable and the appreciation in Renminbi against Hong Kong dollars is expected to be mild. There is no significant exposure to fluctuations in foreign exchange rates and any related hedges.

The Group has certain investments in operations in Mainland China, whose net assets are exposed to translation risk. Management does not expect any material adverse impact on the foreign exchange fluctuation, as expected and mild appreciation in Renminbi will further benefit the Group's net assets position in Mainland China.

The following table demonstrates the sensitivity at the balance sheet date to a reasonably possible change in the Renminbi exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's and the Company's equity (due to changes in the fair value of forward currency contracts).

	Group			Company	
	Increase in foreign currency rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**	**Increase in foreign currency rate**	**Increase/ (decrease) in equity**
	%	HK$'000	HK$'000	%	HK$'000
2007					
If Hong Kong dollar weakens against:					
RMB	**5%**	**5,478**	**56,029**	**5%**	**–**
If Hong Kong dollar strengthens against:					
RMB	**5%**	**(5,478)**	**(56,029)**	**5%**	**–**
2006					
If Hong Kong dollar weakens against:					
RMB	5%	4,058	46,032	5%	–
If Hong Kong dollar strengthens against:					
RMB	5%	(4,058)	(46,032)	5%	–

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, equity investments at fair value through profit or loss and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 48 to the financial statements.

The Group's concentration of credit risk is mainly in Hong Kong and Mainland China by geographical location. The Group's credit risk exposure is spread over a number of counterparties and customers. Hence, it has no significant concentration of credit risk by a single debtor.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 27 to the financial statements.

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and other interest-bearing loans. The Group's policy is that not more than 80% of borrowings should mature in any 12-month period. 72% of the Group's debts would mature in less than one year as at 31 December 2007 (2006: 75%) based on the carrying value of borrowings reflected in the financial statements.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Group	**2007**					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Client deposits	**518,718**	**–**	**–**	**–**	**–**	**518,718**
Trade and other payables	**82,984**	**700,970**	**9,061**	**–**	**–**	**793,015**
Interest-bearing bank and other borrowings	**36,088**	**535,207**	**19,676**	**154,822**	**80,623**	**826,416**
Advances from minority shareholders of subsidiaries	**–**	**2,128**	**–**	**54,842**	**–**	**56,970**
Due to related companies	**–**	**–**	**13,207**	**–**	**–**	**13,207**
Advances from shareholders	**–**	**–**	**–**	**14,529**	**–**	**14,529**
Promissory notes	**–**	**–**	**–**	**95,959**	**–**	**95,959**
	637,790	**1,238,305**	**41,944**	**320,152**	**80,623**	**2,318,814**

Group	2006					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Amounts due to associates (notes 21)	–	–	–	77	–	77
Client deposits	359,586	–	–	–	–	359,586
Trade and other payables	68,274	903,505	9,061	–	–	980,840
Interest-bearing bank and other borrowings	97,811	474,386	6,601	161,603	26,936	767,337
Advances from minority shareholders of subsidiaries	–	–	–	53,249	–	53,249
Due to related companies	62	–	–	–	–	62
Advances from shareholders	–	–	–	21,896	–	21,896
	525,733	1,377,891	15,662	236,825	26,936	2,183,047

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, is as follows (*continued*):

Company	**2007**					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Other payables and accruals	**–**	**11,638**	**–**	**–**	**–**	**11,638**

Company	2006					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other payables and accruals	–	16,941	–	–	–	16,941
Interest-bearing bank and other borrowings	30,007	4,000	4,500	6,000	1,000	45,507
	30,007	20,941	4,500	6,000	1,000	62,448

Equity price risk

The market equity indices for the following stock exchanges, at the close of business of the nearest trading day in the year to the balance sheet date, and their respective highest and lowest points during the year were as follows:

	31 December 2007	**High/low 2007**	31 December 2006	High/low 2006
Hong Kong – Hang Seng Index	**27,812.65**	**31,958.41/ 18,659.23**	19,964.72	20,049.03/ 14,843.97

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the balance sheet date. For the purpose of this analysis, for the available-for-sale financial assets the impact is deemed to be on the available-for-sale financial assets revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Equity price risk *(Continued)*

	Carrying amount of equity investments HK$'000	Change in profit before tax HK$'000	Change in equity HK$'000
2007			
Investments listed in:			
Hong Kong – Held-for-trading	**241,036**	**24,104**	**–**
2006			
Investments listed in:			
Hong Kong – Available-for sale	39,089	–	3,909
– Held-for-trading	132,496	13,250	–

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements.

Certain subsidiaries of the Group are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. The Group has established a legal and compliance department which is operated by experienced internal qualified lawyers and compliance officers and is supervised by management. The principal roles of the legal and compliance department are to monitor the daily financial status and to review internal control of the Group regularly to ensure that the Company's regulated subsidiaries are in compliance with related regulations. No changes were made in the objectives, policies or processes during the two years ended 31 December 2007.

54. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group's policy is to maintain the gearing ratio below 50%. Net debt includes interest-bearing bank borrowings less cash and cash equivalents, and excludes discontinued operations. Capital includes total equity. The gearing ratios as at the balance sheet dates were as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Interest-bearing bank borrowings	**818,719**	750,956
Less: Cash and cash equivalents	**(281,881)**	(365,891)
Net debt	**536,838**	385,065
Capital	**2,259,042**	1,735,364
Capital and net debt	**2,795,880**	2,120,429
Gearing ratio	**19.2%**	18.2%

55. POST BALANCE SHEET EVENTS

a) In December 2007, the Group entered into an agreement with Broaden Base Investment Limited, a BVI incorporated company of which a director of the Company is the controlling shareholder, to dispose of its entire interest in SCM and the shareholders' loan for a consideration of HK$30 million payable in cash. Subsequent to the balance sheet date, on 4 February 2008, a resolution was approved by independent shareholders by way of poll in relation to the disposal of SCM to Broaden Base Investment Limited.

b) Subsequent to the balance sheet date on 9 January 2008, a vendor transferred 4,000,000 SCL Shares to the Group at a consideration of HK$1,120,000, which was settled by issue of a promissory note. Upon completion of the transaction, the Group's shareholding in SCL increased from 67.69% to 68.48%.

c) In January 2008, the Group acquired from the holding company of the joint venture partners of certain 51% owned associates of the Group:

   i) the entire interest in 南京二壓縮機廠, which is engaged in manufacturing of compressor and property holding, at cash consideration of approximately RMB28,528,000;

   ii) the entire interest in 南京電機廠, which is engaged in property holding and trading of flowers, at cash consideration of approximately RMB25,261,000; and

   iii) 85% interest in 南京液壓件二廠, which is engaged in property holding and has a 49% owned associate engaged in manufacturing of hydraulic press, at cash consideration of approximately RMB1,994,000.

   As the acquirees are in the process of preparing the completion accounts, it is impracticable to disclose information about income statements, assets, liabilities, contingent liabilities and goodwill.

56. COMPARATIVE AMOUNTS

As further explained in note 2.3 to the financial statements, due to the adoption of the new and revised HKFRSs during the current year, certain comparative amounts have been adjusted to conform with the current year's presentation and to show separately comparative amounts in respect of items disclosed for the first time in 2007.

57. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 15 April 2008.

58. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2007 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Chongqing Fortuna Information Technology Co. Ltd. (note d)	The PRC/ Mainland China	RMB3,330,000	80.8%	Information technology related business
Chongqing South China Zenith Information Technology Co. Ltd. (note d)	The PRC/ Mainland China	RMB20,000,000	60%	Information technology related business
Copthorne Holdings Corp.	Republic of Panama/ Hong Kong	US$200	74.8%	Property investment
Eastand Investments Ltd	Hong Kong	HK$2	74.8%	Property investment
Ever Talent Limited*	Hong Kong	HK$1	50.6%	Investment holding
Everwin Toys (Donguan) Company Limited (note d)	The PRC/ Mainland China	HK$22,500,000	74.8%	Manufacturing of toy
Glad Light Investments Limited	Hong Kong	HK$10,000	100%	Property investment
Guang Dong Huaxin Fruit Development Co. Ltd. (note c)	The PRC/ Mainland China	US$7,500,000	74.8%	Fruit plantation
Hong Kong Four Seas Tours Limited*	Hong Kong	HK$20,800,000 HK$1,200,000 Non-voting deferred (note b)	100%	Sale of air tickets and provision of travel related services

58. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Jadeland Investments Limited	Hong Kong	HK$2	100%	Property investment
Liaoning Dafa Real Estate Co., Limited* (note d)	The PRC/ Mainland China	RMB202,000,000	40.5%	Real estate development
Micon Limited	Hong Kong	HK$2	74.8%	Investment holding
Nanjing Power Capacitors Co., Ltd	The PRC/ Mainland China	RMB1,425,400	63.6%	Property investment
Nanjing South China Dafang Electronic Co., Ltd (note d)	The PRC/ Mainland China	RMB77,550,000	70.0%	Property investment
Nanjing South China Power Capacitors Co., Ltd	The PRC/ Mainland China	RMB26,500,000	69.3%	Property investment
Nanjing Weifen Machinery Co., Limited (note d)	The PRC/ Mainland China	RMB29,035,500	65.1%	Property investment
Nority Development Limited*	British Virgin Islands/ Hong Kong	US$2	74.8%	Property investment
Prime Prospects Limited	Hong Kong	HK$100,000	52.4%	Property investment
Shenyang Shenglian Electronic Science & Technology Ltd. (note d)	The PRC/ Mainland China	RMB4,000,000	70%	Information technology related business
Shineway Footwear Limited	Hong Kong	HK$500,000	74.8%	Trading of shoes
Skychance Group Limited	British Virgin Islands/ Hong Kong	US$1	74.8%	Investment holding
South China Capital Limited	Hong Kong	HK$10,000,000	72.8%	Provision of corporate finance advisory services

58. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
South China Commodities Limited	Hong Kong	HK$15,000,000	72.8%	Commodities trading
South China Finance And Management Limited	Hong Kong	HK$2	72.8%	Share dealing and provision of management services
South China Financial Credits Limited	Hong Kong	HK$42,125,000	71.6%	Money lending
South China Financial Holdings Limited (Listed on The Stock Exchange of Hong Kong Limited)	Hong Kong	HK$125,715,148	72.8%	Investment holding
South China (China) Limited (Listed on The Stock Exchange of Hong Kong Limited)	Cayman Islands/ Hong Kong	HK$53,037,614	74.8%	Investment holding
South China Land Limited* (Listed on The Stock Exchange of Hong Kong Limited) (note e)	Cayman Islands/ Hong Kong	HK$5,064,983	50.6%	Investment holding
South China Leesheng Sporting Goods Co., Limited	Hong Kong	HK$2	74.8%	Trading of sports products
South China Media Limited	Hong Kong	HK$2	100%	Provision of publishing, marketing and promotional services
South China Research Limited	Hong Kong	HK$600,000	72.8%	Research publications
South China Securities Limited	Hong Kong	HK$10,000,000	72.8%	Securities broking and margin financing
South China Securities (UK) Limited	United Kingdom	GBP200,000	72.8%	Provision of securities trading services
South China Shoes Products Company Limited	Hong Kong	HK$500,000	74.8%	Trading of shoes
South China Strategic Limited	Hong Kong	HK$308,593,789	74.8%	Investment holding
South China Strategic Property Development Limited	Hong Kong	HK$5,000,000	74.8%	Property development and investment holding

58. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Spark-Inn Investments Limited	Hong Kong	HK$2	74.8%	Property investment
Strategic Finance Limited	Hong Kong	HK$2	74.8%	Provision of financing services
Tek Lee Finance And Investment Corporation Limited	Hong Kong	HK$287,498,818	100%	Investment holding
Tianjin NanHua Real Estate Development Co. Ltd. (note d)	The PRC/ Mainland China	RMB43,000,000	51.0%	Property development
Tianjin South China Leather Chemical Products Co. Ltd (note d)	The PRC/ Mainland China	RMB20,516,500	59.8%	Manufacturing of leather products
Tianjin South China Lisheng Sporting Goods Co. Ltd. (note d)	The PRC/ Mainland China	RMB10,213,600	59.8%	Manufacturing of sports products
Tianjin South China Shoes Products Co. Ltd (note d)	The PRC/ Mainland China	RMB36,100,200	59.8%	Manufacturing of footwear products
Wah Heng Toys (Shenzhen) Company Limited	The PRC/ Mainland China	HK$8,000,000	74.8%	Manufacturing of toys
Wah Shing Electronics Company Limited	Hong Kong/ Mainland China	HK$571,500	52.4%	Manufacturing of toys
Wah Shing Toys Company Limited	Hong Kong	HK$2 HK$3,020,002 Non-voting deferred (note b)	74.8%	Trading of toys and investment holding
Winfound Investments Limited	Hong Kong	HK$2	100%	Property investment

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

Notes:

(a) The above principal subsidiaries are all held indirectly by the Company.

(b) The non-voting deferred shares have no voting rights and practically no entitlement to dividend of profit or distribution on winding up.

(c) This is a wholly-foreign-owned equity enterprise established in the PRC.

(d) These are Sino-foreign equity joint ventures established in the PRC.

(e) Convertible notes in a principal amount of HK$800,000,000 are held by a subsidiary of the Group.

58. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

The above summary lists only the subsidiaries of the Group which, in the opinion of the Company's directors, principally affected the results for the year or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Save as aforesaid, none of the subsidiaries had any debt securities in issue at any time during the year or at the end of the year.

59. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31 December 2007 are as follows:

Name of associates	Place of incorporation and operations	Class of shares held	Percentage of equity interest indirectly held by the Group	Principal activity
FWIL*	Hong Kong	Ordinary	30%	Property investment
Nority Limited*	Hong Kong/ Mainland China	Ordinary	35%	Manufacturing of footwear products

The financial year end date of FWIL is 30 June. The consolidated financial statements are adjusted for the material transactions between FWIL and Group companies between 1 January and 30 June. FWIL uses 30 June as its reporting date due to conform with its holding company's reporting date.

The Group's shareholdings in the associates all comprise equity shares held through wholly-owned subsidiaries of the Company.

The above summary lists only the associates of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of the other associates would, in the opinion of the directors, result in particulars of excessive length.

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

Five Years Financial Summary

Summary financial information

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. As further detailed in note 2.1 to the financial statements, no restatement of the prior year's financial information has been made as the impact of the merger of SCL is not significant.

RESULTS

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**4,930,350**	4,444,372	4,305,120	3,785,632	3,407,870
Profit Before Tax	**591,990**	306,744	212,651	193,367	148,017
Tax	**(13,758)**	(24,648)	(31,796)	(7,432)	(4,165)
Profit for the Year	**578,232**	282,096	180,855	185,935	143,852
Attributable to:					
Equity Holders of the Company	**416,809**	205,318	96,574	124,201	93,383
Minority Interests	**161,423**	76,778	84,281	61,734	50,469
	578,232	282,096	180,855	185,935	143,852

ASSETS AND LIABILITIES

	At 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total Assets	**4,794,018**	4,126,475	3,027,521	2,773,186	2,624,022
Total Liabilities	**(2,534,976)**	(2,391,111)	(1,487,028)	(1,405,166)	(1,388,344)
Total Equity	**2,259,042**	1,735,364	1,540,493	1,368,020	1,235,678
Attributable to:					
Equity Holders of the Company	**1,574,348**	1,193,894	972,429	872,403	757,208
Minority Interests	**684,694**	541,470	568,064	495,617	478,470
	2,259,042	1,735,364	1,540,493	1,368,020	1,235,678

Details of Properties

A. INVESTMENT PROPERTIES

	Location	Group's interest	Existing use
1.	Units A, B, C and D on 2nd Floor Unit C on 3rd Floor Units A and B on 10th Floor Units A and B on 13th Floor Car Parking Space Nos. 7, 18 and 19 and Lorry Parking Space Nos 3, 21, 25 and 26 Wah Shing Centre 5 Fung Yip Street Chaiwan, Hong Kong	74.8%	Industrial and carparking
2.	Units J and L on 2nd Floor Private Car Parking Space Nos. G20 and G22 and Lorry Parking Space Nos. L3 and L4 on Ground Floor Kaiser Estate 2nd Phase Nos. 47-53 Man Yue Street Nos. 20-28 Man Lok Street Hunghom, Kowloon, Hong Kong	74.8%	Industrial and carparking
3.	1st Floor of Block G Kimberley Mansion No. 15 Austin Avenue Tsim Sha Tsui Kowloon Hong Kong	74.8%	Commercial and residential
4.	Unit 14 on 6th Floor Nan Fung Commercial Centre No. 19 Lam Lok Street Kowloon Bay, Kowloon Hong Kong	74.8%	Commercial
5.	Flats A, B, C and D on 1st Floor Fu Fung Building Nos. 5-7 Tsing Fung Street North Point Hong Kong	74.8%	Commercial
6.	Unit A on Ground Floor Mai Luen Industrial Building Nos. 23-31 Kung Yip Street Kwai Chung New Territories, Hong Kong	74.8%	Industrial
7.	2nd Floor No. 10A Austin Avenue Tsim Sha Tsui Kowloon, Hong Kong	74.8%	Residential

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
8.	Units A, B and C on 7th Floor and the three Lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon, Hong Kong	74.8%	Commercial
9.	Unit A, B and C on 8th Floor and the three Lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon, Hong Kong	74.8%	Commercial
10.	Unit No. 78 on 2nd Floor Houston Centre No. 63 Mody Road Tsim Sha Tsui Kowloon, Hong Kong	74.8%	Commercial
11.	Unit Nos. 4, 5, 6, 7 and 8 on 3rd Floor Houston Centre No. 63 Mody Road Tsim Sha Tsui Kowloon, Hong Kong	74.8%	Commercial
12.	The Second Floor and External Walls Metropole Building Nos. 53-63 Peking Road and Nos. 12, 12A, 12B & 12C Hankow Road Tsim Sha Tsui Kowloon, Hong Kong	74.8%	Commercial
13.	Four Seas Jade Centre Nos. 530, 532, 534 and 536 Canton Road Yau Ma Tei Kowloon, Hong Kong	74.8%	Commercial
14.	The Whole Block Nos. 18-20 Ming Fung Street Wong Tai Sin Kowloon Hong Kong	74.8%	Residential/ commercial
15.	26 Floor, Tower One, Lippo Centre 89 Queensway Hong Kong	72.8%	Commercial
16.	Units A and B on Ground Floor Cheung Wah Industrial Building Nos. 10-12, Shipyard Lane Quarry Bay, Hong Kong	74.8%	Commercial

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
17.	Lot Nos. 116-121 123-126, 127A 127P.R., 129-135 136A, 136R.P. 137, 140, 141A 141B, 141C, 143 144, 145, 146A 146R.P., 148 in D.D.No.236 Tai Wan Tau Clearwater Bay New Territories Hong Kong	100%	Agricultural
18.	Unit C on 15th Floor World Trade Plaza Wusi Road Fuzhou, Fujian Province The PRC	74.8%	Commercial
19.	Grand Hotel Four Seas Kai Cheung Da Dao Danshui Huiyang City, Guangdong Province The PRC	74.8%	Commercial
20.	Unit 22A of Tower 1 Unit 23B of Tower 2 and 16 Car Parking Spaces La SeVilla, Fahuazhen Lu Changning District, Shanghai The PRC	74.8%	Residential and carparking
21.	Unit 1 on Level 24 No. 303 Zhong Ming Road South West District Taichung City Taiwan	74.8%	Commercial
22.	No. 1-1 Mokeng Lane Mingjian Township Nantou County Taiwan	74.8%	Industrial
23.	Level 1, Unit 2 on Level 2 One carparking space and One motorcycle parking space In Basement 2, No. 28-5 Section 1 Zhiyou Road West District Taichung City Taiwan	74.8%	Commercial and carparking

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
24.	Various buildings and a land parcel located at No. 28 Yunan North Road, No. 2 Shi Zi Qiao, Gulou District, Nanjing City, Jiangsu Province, the PRC	65.1%	Commercial
25.	A building and a land parcel located at No. 32 Shi Zi Qiao, Gulou District, Nanjing City, Jiangsu Province, the PRC	65.1%	Commercial
26	Nority Industrial Building, No. 4 Xiaobian Industrial District, Changan Town, Dongguan City, Guangdong Province, the PRC	74.8%	Industrial
27.	Unit 2 on Level 15 and Unit 1 on Level 24 and portion of Basement 2, No. 303 Zhongming Road South, West District, Taichung City, Taiwan	74.8%	Commercial
28.	Various buildings and two land parcels located at No. 36 Zhe Fang Road, Baixia District, Nanjing City, Jiangsu Province, the PRC	65.1%	Commercial
29.	Various buildings erected upon a land parcel located at No. 292 Sheng Zhou Road, Jian Ye District, Nanjing City, Jiangsu Province, the PRC	69.3%	Commercial
30.	A land parcel located at No. 292 Sheng Zhou Road, Jian Ye District, Nanjing City, Jiangsu Province, the PRC	63.6%	Commercial
31.	Various buildings erected upon a land parcel located at No. 10 Suo Street, Jian Ye District, Nanjing City, Jiangsu Province, the PRC	69.3%	Commercial

B. CONSTRUCTION IN PROGRESS

Location	Type	Stage of completion	Anticipated completion date	Group's attributable interest	Approximate gross floor area	Approximate site area
South China Landmark Plaza, a development site located at the Western side of Zhaoyang Street, Shenhe District, Shenyang, Liaoning Province, the PRC	Commercial	Soldier piles and excavation works	2009	40.5%	117,200 sq. m.	21,893.5 sq. m.