South China Land Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 8155

Annual Report 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Mr. Ng Yuk Yeung Paul (*Chief Executive Officer*)
Mr. Richard Howard Gorges
Ms. Cheung Choi Ngor
Mr. Ng Yuk Fung Peter
Mr. Yeung Kwong Sunny
Mr. Law Albert Yu Kwan

Non-executive Directors

Ms. Ng Yuk Mui Jessica
Dr. Lo Wing Yan William, J.P.

Independent Non-executive Directors

Mr. Cheng Yuk Wo
Ms. Pong Scarlett Oi Lan, J.P.
Mr. So George Siu Ming
Dr. Leung Tony Ka Tung
Mr. Lau Lai Chiu Patrick

COMPLIANCE OFFICER

Ms. Cheung Choi Ngor

COMPANY SECRETARY

Mr. Fung Nam Shan *HKICPA, AICPA*

AUTHORISED REPRESENTATIVES

Ms. Cheung Choi Ngor
Mr. Fung Nam Shan

AUDIT COMMITTEE

Mr. Cheng Yuk Wo (*Committee Chairman*)
Dr. Lo Wing Yan William, J.P.
Ms. Pong Scarlett Oi Lan, J.P.
Mr. So George Siu Ming

REMUNERATION & NOMINATION COMMITTEE

Mr. So George Siu Ming (*Committee Chairman*)
Dr. Lo Wing Yan William, J.P.
Mr. Cheng Yuk Wo
Ms. Pong Scarlett Oi Lan, J.P.

AUDITOR

BDO Limited

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Chong Hing Bank Limited
Industrial and Commercial Bank of China Limited
The Bank of East Asia (China) Limited

REGISTERED OFFICE

Floor 4
Willow House
Cricket Square
PO Box 2804
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
PO Box 1586
Grand Cayman KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

STOCK CODE

8155

WEBSITE OF THE COMPANY

www.scland.co

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Land Limited (the "Company") and its subsidiaries (together "the Group") for the year ended 31 December 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group reported a revenue of approximately HK$48.7 million in 2012, representing an increase of about 8.4 times of the revenue recognized in 2011. Profit attributable to equity holders of the Company for the year ended 31 December 2012 amounts to approximately HK$2.0 million as opposed to the loss attributable to equity holders of approximately HK$9.7 million recorded in 2011.

FINANCIAL REVIEW

The Group's revenue for the year ended 31 December 2012 increased from approximately HK$5.2 million in 2011 to approximately HK$48.7 million in 2012. In 2012, the Group recorded a fair value gain on investment property of approximately HK$43.1 million in 2012, representing a decrease of approximately HK$43.7 million or 50% as compared with the amount of approximately HK$86.8 million recognized in prior year. The significant increase in revenue, was largely attributable to the entrusted management fee income accrued to the Group after the commencement of the agreement (the "Agreement") in early 2012. On cost side, there was considerable saving in operating expenses as the Group ceased to incur expenses for the day-to-day running, marketing and promotion of the Avenue of Stars (previously named as Fortuna Plaza) at Shenyang after the commencement of the Agreement. Although the finance costs increased by approximately HK$6.6 million from approximately HK$39.4 million in 2011 to approximately HK$46.0 million in 2012, the effect on the results of the Group was mitigated by the saving in operating costs. As a result, the Group recorded a profit attributable to equity holders of the Company of approximately HK$2.0 million in 2012 as opposed to a loss attributable to equity holders of the Company of approximately HK$9.7 million in 2011.

BUSINESS REVIEW

Shenyang property projects

The Dadong District (大東區) property development project has a site area of 44,916 square meters. The site will be developed into a shopping complex by two phases to house a diversified range of entertainment and recreational facilities, a wide variety of fine dining restaurants and fashionable retail stores. Up to 31 December 2012, the Group has paid relocation compensation of approximately HK$340.6 million to the local government for the first phase development, which comprises the southern lot with site area of 11,138 square meters. The relocation of occupants and site clearance works for the first phase development are now completed. We expected to start the excavation and foundation works in the second quarter of 2013.

For the property development project in Huanggu District (皇姑區) with a site area of approximately 67,000 square meters, the total consideration for land use rights is approximately HK$1,450 million of which HK$290.1 million has been paid. We planned to build a comprehensive development with luxury residential flats, A-grade offices and an upmarket shopping mall. We were in discussions with the local government on the timetable for relocation and construction, and expected that the relocation would start in 2013.

As published in the Company's announcement dated 17 January 2013, the disposal of Splendor Sheen Limited, which represented the Group's 80% interests in Avenue of Stars and its shopping mall business, was completed on 16 January 2013. The Group ceased to own any interest in Avenue of Stars or generate any income from it since then. The disposal, however, not only releases the Group from the debts owed to the bank, it also provides new funding for the Group to embark on the development projects in the pipeline. The disposal, therefore, has strengthened the Group's financial position and, hence, enhanced its future fund raising ability.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2012, the Group's operation was financed by internal resources, banking facilities and loans from shareholders and a related company. The Board is of the opinion that, after taking into account these available resources, the Group has sufficient working capital to meet its present requirements and continue its operation in the foreseeable future.

The current ratio and gearing ratio of the Group as at 31 December 2012 are 226% (2011: 320%) and 55% (2011: 51%), respectively. The gearing ratio was computed by comparing the Group's total bank borrowings (include bank borrowings of the Disposal Group, as mentioned in note 27 of notes to financial statements), loans from shareholders and a related company of HK$1,261 million to the Group's equity of HK$2,295 million.

MATERIAL ACQUISITIONS AND DISPOSALS

Crystal Hub Limited, a subsidiary of the Company, and Even Dragon Limited, a subsidiary of SCC, entered into the Sales and Purchase Agreement in July 2012 whereby Crystal Hub Limited agreed to sell and Even Dragon Limited agreed to purchase the entire equity interests in Splendor Sheen Limited, an indirect wholly owned subsidiary of the Company, for a consideration of approximately HK$1,589 million (as adjusted) subject to the terms and conditions of the Sale and Purchase Agreement and the supplemental agreement dated 25 September 2012. As published in the Company's announcement dated 17 January 2013, the Transaction was completed on 16 January 2013.

Except for abovementioned, the Group did not make any material acquisition or disposal of subsidiary or associate during the year ended 31 December 2012.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2012, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2012, the bank borrowings of the Group, which are included in the liabilities of the disposal group classified as held for sale grouped under current liabilities in the consolidated statement of financial position, was secured by the pledge of the investment property and bank deposits of approximately HK$11 million.

EMPLOYEES

As at 31 December 2012, the total number of employees of the Group was 129 (2011: 229). Employees' cost (including Directors' emoluments) amounted to HK$35.74 million for the year (2011: HK$26.56 million).

In addition to salary, other fringe benefits such as medical subsidies, life insurance and provident fund 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. An employee share option scheme was adopted by the Company on 8 May 2012 and became effective from 8 May 2012 to 7 May 2022.

PROSPECTS

The disposal of Avenue of Stars was completed in January 2013 (the "Transaction"). It enabled the Company to allocate more resources, both financial and management, to other property development projects on hand, such as the Dadong District (大東區) project in Shenyang, and the Group ceased to have commitments in Avenue of Stars on both the financial and management resources sides. The Transaction significantly improved the Company's gearing ratio and, hence, its ability to raise funds for new projects in the future.

The proceeds from the Transaction provides the Company with immediate financial resources to kick-start the Dadong District project currently in the pipeline with a view to building a track record to position the Group as a reputable property developer in the PRC. We are planning to move forward with the build and sell model for the southern lot before proceeding to the development of the northern lot.

Relocation of existing residents in the southern Dadong District, Shenyang, was completed in 2012. The excavation and foundation works were scheduled to commence in the second quarter of 2013. The first phase development in the southern lot will consist of a shopping mall with retail, entertainment and dining places, residential towers and service apartments, with total gross floor area of approximately 182,000 square meters. The relocation for the second phase development of northern Dadong District will start in the second half of 2013 based on our project plan. The planned second phase development, the northern lot with site area of 28,600 square meters, comprises a shopping mall and residential and apartment towers with total gross floor area of 380,000 square meters. This development will be the next landmark development of the Group in the region following the Avenue of Stars.

For the property development project in the Huanggu District of Shenyang, we planned to develop a complex comprising a mega shopping mall, an A-grade offices, serviced apartments and residential towers with total gross floor area of approximately 1,000,000 square meters. The Shenyang Government will be responsible for the relocation of the existing residents on the site. The Group intended to create a landmark in Shenyang's third commercial center, the Chang Jiang pedestrian shopping street (長江步行購物街). The new development will enhance the pedestrian shopping street, one of the key lifestyle shopping districts in Shenyang, by providing connections by way of roads, streets, footpaths to the existing developments. The brisk development in tourism, entertainment and financial services in Shenyang sees the need for creating a new center point in the region and providing additional recreational facilities to its neighborhood. The project consists of two phases. Relocation of existing residents in the southern lot was planned to commence in 2013. We are in the process of negotiation with the local government for the timeframe of the relevant execution plan.

As published in the announcement of the Company dated 22 January 2013, the Group has won a bid at the tender for the sale of the land located at No. B-2012-29, Bohai District, Huanghua New City, Cangzhou (滄州渤海新區黃驊新城B-2012-29號) with an area of approximately 32,336 square meters. The Company planned to develop a shopping mall and service apartments at this newly acquired land.

The Group has paid deposits for lands located in Cangzhou, Hebei Province and Shenyang, Liaoning Province with site areas of 153,684 square meters in aggregate for its property development operations.

The Group will continue to focus on its core property development projects, such as the Dadong District project, in foreseeable future. Meanwhile, it will also take some small to medium size projects should desirable opportunities arise.

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 service.

Ng Hung Sang
Chairman

Hong Kong, 19 March 2013

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 63, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. Mr. Ng is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also an executive director and the chairman of South China Holdings Limited, South China Financial Holdings Limited and South China (China) Limited. 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. Mr. Ng was appointed as a Director of the Company on 28 January 2002. Mr. Ng is the father of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company, Mr. Ng Yuk Fung Peter, an Executive Director of the Company and Mr. Ng Yuk Yeung Paul, an Executive Director and the Chief Executive Officer of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Ng Yuk Yeung Paul, aged 31, is an Executive Director, the Chief Executive Officer and a member of the Executive Committee of the Company. He is also an executive director and the vice-chairman of South China Financial Holdings Limited. Mr. Ng graduated in law from Corpus Christi College, University of Cambridge (the "University") in the United Kingdom and is a Scholar of the University. Mr. Ng was appointed as a Director of the Company on 9 October 2003. He is the son of Mr. Ng Hung Sang, an Executive Director and the Chairman of the Company, and is the brother of Ms. Ng Yuk Mui Jessica, a Non-Executive Director of the Company, and Mr. Ng Yuk Fung Peter, an Executive Director of the Company.

Mr. Richard Howard Gorges, aged 69, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director and a vice-chairman of South China (China) Limited and South China Financial Holdings Limited, and is an executive director of South China Holdings Limited. He holds a Master degree in Law from University of Cambridge in the United Kingdom. Mr. Gorges was appointed as a Director of the Company on 7 January 2009. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 59, is an Executive Director and a member of the Executive Committee of the Company. She is also an executive director, a vice-chairman and chief executive officer of South China (China) Limited, an executive director and a vice-chairman of South China Financial Holdings Limited, and an executive director of South China Holdings Limited. 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. Ms. Cheung was appointed as a Director of the Company on 7 January 2009. She is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Ng Yuk Fung Peter, aged 32, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director of South China Holdings Limited and South China (China) Limited. Mr. Ng holds a bachelor's degree in law from King's College London, University of London in the United Kingdom. He is an associate member of the Chartered Institute of Management Accountants and a member of the Nanjing City Committee of the Chinese People's Political Consultative Conference. Mr. Ng was appointed as a Director of the Company on 9 October 2003. He is the son of Mr. Ng Hung Sang, an Executive Director and the Chairman of the Company, the younger brother of Ms. Ng Yuk Mui Jessica, a Non-Executive Director of the Company, and the elder brother of Mr. Ng Yuk Yeung Paul, an Executive Director and the Chief Executive Officer of the Company.

Mr. Yeung Kwong Sunny, aged 58, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director of South China (China) Limited. He has extensive experience in architecture, property and project management. Mr. Yeung was an executive director of Sino Land Company Limited ("Sino Land") from July 2008 to June 2011 and held the positions of associate director and general manager of Sino Land during 2005 to 2008. He had also held senior positions at various reputable organizations, including Chief Operating Officer of K. Wah International Holdings Limited and Assistant Project Director of Wharf Limited.

Mr. Yeung holds a Bachelor Degree in Architecture from the University of Hong Kong, a Certificate in Quality Management from The Royal Australian Institute of Architects, a Master of Arts degree in Arbitration and Dispute Resolution from City University of Hong Kong and a Master of Laws degree (LLM) from University of London. He is a member of The Hong Kong Institute of Architects, a registered architect in Hong Kong, a barrister of The Inner Temple in London, a panel mediator and a listed arbitrator of The Hong Kong International Arbitrators Centre and a fellow of the Chartered Institute of Arbitrators. Mr. Yeung was appointed as a Director of the Company on 10 December 2012.

Mr. Law Albert Yu Kwan, aged 63, is an Executive Director and a member of the Executive Committee of the Company, an executive director, the chief financial officer and company secretary of South China (China) Limited and the group chief financial officer of the South China group. He is also an independent non-executive director and the chairman of the audit committee of Guangzhou Automobile Group Company Limited. Mr. Law has been the president of the Institute of Accountants in Management since 2007. Previously, Mr. Law held various positions including the managing director of A. A. and Associates Consulting International Limited from April 2006 to January 2011, financial controller of K. Wah Construction Materials Limited from June 1997 to April 2006 (responsible for finance and accounting, legal, information technology and treasury), managing director of K.K. Yeung Financial Management Consultants International Limited from July 1996 to June 1997 (responsible for marketing, business development and overseas consulting projects) and assistant general manager (responsible for finance, accounting and administration) of Winning Management Company Limited (a Hong Kong real estate holding and investment group) from November 1990 to March 1995. Mr. Law had also served as the president of the UK Chartered Institute of Management Accountants (Hong Kong Division) in 2006/2007 and the chairman of the enterprise governance committee under the said institute from 2003 to 2007. Mr. Law is a fellow member of the Chartered Institute of Management Accountants, an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of International Accountants in England, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of Hong Kong Society of Registered Financial Planners, and a fellow member of the Taxation Institute of Hong Kong. Mr. Law was appointed as a Director of the Company on 3 March 2013.

NON-EXECUTIVE DIRECTORS

Ms. Ng Yuk Mui Jessica, aged 34, is a Non-executive Director of the Company. Ms. Ng is also a non-executive director of South China Holdings Limited and South China (China) Limited, and the chief executive officer of South China Media Limited. She has 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. She is an associate member of the Chartered Institute of Management Accountants and a member of Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. Ms. Ng was appointed as a Director of the Company on 20 August 2003. Ms. Ng is the daughter of Mr. Ng Hung Sang, an Executive Director and the Chairman of the Company, and is the elder sister of Mr. Ng Yuk Fung Peter, an Executive Director of the Company, and Mr. Ng Yuk Yeung Paul, an Executive Director and Chief Executive Officer of the Company.

Dr. Lo Wing Yan William, J.P., aged 52, is a Non-executive Director and a member of the Audit Committee and Remuneration and Nomination Committee of the Company. He is also a vice chairman of South China Media Limited. Dr. Lo had held various senior positions with I.T Limited, China Unicom Limited, Citibank, N.A., Hong Kong Telecom Group and McKinsey & Company, Inc. He is currently an independent non-executive director of Nam Tai Electronics, Inc., which is listed on the New York Stock Exchange and LZYE Group PLC, which is listed in the Alternative Investment Market of the London Stock Exchange, an independent non-executive director of Varitronix International Limited and SITC International Holdings Company Limited, both of which are listed on the Main Board of the Hong Kong Stock Exchange, and an independent non-executive director of Westminster Travel Limited, which is listed on the Singapore Stock Exchange. He holds a Master degree in Molecular Pharmacology and a Doctorate degree in Genetic Engineering, both from The University of Cambridge in England. He was a Commonwealth Scholar, a Croucher Foundation Fellow (HK), and a Bye-Fellow of Downing College, The University of Cambridge. He is very active in the education sector of which he is an Adjunct Professor of The School of Business, Hong Kong Baptist University as well as that of the Faculty of Management, Hong Kong Polytechnic University. He is also a Governor of the ISF Academy as well as Junior Achievement Hong Kong. In 1996, the renowned global organization World Economic Forum selected Dr. Lo as a "Global Leader for Tomorrow". In 1999, the Government of the Hong Kong Special Administrative Region appointed him as a Justice of the Peace ("J.P."). In 2003, he was appointed as a Committee Member of Shantou Municipal Committee of the Chinese People's Political Consultative Conference. He was appointed as an Independent Non-executive Director of the Company on 25 February 2002 and was re-designated as a Non-executive Director of the Company on 6 September 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheng Yuk Wo, aged 52, is an Independent Non-executive Director, the Chairman of the Audit Committee, and a member of Remuneration and Nomination Committee of the Company. He worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and Swiss Bank Corporation (now known as UBS AG) in Toronto. He has held senior management positions in a number of Hong Kong listed companies and is a co-founder of a Hong Kong merchant banking firm. He is the proprietor of a certified public accountant practice in Hong Kong. Mr. Cheng is currently an executive director of 21 Holdings Limited and an independent non-executive director of CPMC Holdings Limited, CSI Properties Limited, HKC (Holdings) Limited, C.P. Lotus Corporation (formerly known as "Chia Tai Enterprises International Limited"), Chong Hing Bank Limited, Goldbond Group Holdings Limited, Imagi International Holdings Limited and Top Spring International Holdings Limited, all being listed on the Main Board of the Hong Kong Stock Exchange. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honours) degree in Accounting. Mr. Cheng was appointed as a Director of the Company on 17 September 2004.

Ms. Pong Scarlett Oi Lan, J.P., aged 53, is an Independent Non-executive Director and a member of the Audit Committee and Remuneration and Nomination Committee of the Company. She is the Chairman of Health Quotient HQ International Institute Limited. She completed her executive program at Harvard Business School in the United States of America and also obtained a graduate diploma in business administration at Monash University in Australia and a Bachelor degree in pharmaceutical sciences from the University of Saskatchewan in Canada. Ms. Pong is an elected District Councilor, the Chairman of The International Drug Abuse Treatment Foundation Limited and The League of Health Professionals of Hong Kong Limited. She was a part-time lecturer of Master of Science in Women's Health Studies & Postgraduate Diploma in Women's Health Studies, The Chinese University of Hong Kong. She has been the president of The Practising Pharmacists Association of Hong Kong for eight years, the President of the Outstanding Young Persons' Association. She is being appointed in a number of government boards and committees such as the Council Member of Hong Kong Baptist University, Grantham Scholarships Fund Committee, Part-time Member of the Central Policy Unit (2008-2009), Chairman of ACAN Sub-committee on Preventive Educations and Publicity (2007-2012). Ms. Pong received an award of the Ten Outstanding Young Persons' Selection in 1998 and the Hundred Outstanding Women Entrepreneur in China in 2007 and was appointed as a Justice of the Peace ("J.P.") by the Government of the Hong Kong Special Administrative Region in July 2010. Ms. Pong was appointed as a Director of the Company on 27 March 2008.

Mr. So George Siu Ming, aged 54, is an Independent Non-executive Director, the Chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of the Company. He was the Chief Financial Officer and Chief Operating Officer of Asset Managers (Asia) Company Limited. He was an executive director of Sinopoly Battery Limited (formerly known as Thunder Sky Holdings Limited and Jia Sheng Holdings Limited) ("Sinopoly") during the period from 1 May 2007 to 30 June 2010 and had held various senior positions such as the Chief Financial Officer, the Chief Operating Officer, the Qualified Accountant and the Company Secretary with Sinopoly during the period from 2007 to 2010. The shares of Sinopoly are listed on the Main Board of the Hong Kong Stock Exchange. Mr. So obtained a Bachelor of Arts degree from the University of Toronto in Canada and a Master of Science degree in Finance from the Chinese University of Hong Kong. He is an associate member of the Canadian Institute of Chartered Accountants, the Society of Management Accountants of Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience in auditing, accounting and finance areas. Mr. So was appointed as a Director of the Company on 23 December 2011.

Dr. Leung Tony Ka Tung, aged 63, is an Independent Non-executive Director of the Company. He is also an independent non-executive director of South China (China) Limited. Dr. Leung has over 35 years of experience in property and hotel industry through his prior employments with the Lands Department of Hong Kong Government and various prominent listed property developers, such as The Hong Kong Land Co. Ltd., Hysan Development Co. Ltd., Lai Sun Development Co. Ltd. and Ryoden Development Ltd., and a leading surveyor company, Chesterton Petty Ltd., in Hong Kong. He was the Founder of TL Property Consultants International Limited and is the Chairman of TL Property Group companies.

Dr. Leung holds a Doctorate Degree of Philosophy in Business Administration from Empresarial University, a Master Degree of Science in International Real Estate (with Distinction) from The Hong Kong Polytechnic University and a Bachelor Degree in Social Science (Hons) in Economics and Business Administration from Chung Chi College of The Chinese University of Hong Kong.

Dr. Leung is a registered professional surveyor (GP) in Hong Kong, a fellow member of The Hong Kong Institute of Surveyors ("HKIS"), a fellow member of The Royal Institution of Chartered Surveyors ("RICS") and a fellow member of Hong Kong Institute of Real Estate Administrators ("HIREA"). He is the Founder Chairman and a Past President of the HIREA, a member of the Supervisory Board, Nominating Committee and Audit Committee of the Hong Kong Housing Society, a member of Appeal Tribunal Panel of the Planning and Lands Branch of the Development Bureau of Hong Kong Special Administrative Region, a Past Vice President and a council member of The Hong Kong Real Estate Association, the Deputy Honorary Secretary of the Hong Kong Professionals and Senior Executives Association, an Honorary Advisor and Honorary Mentor of Society of Business Administration of The Chinese University of Hong Kong, an Academic Consultant of The Institute for Sustainable Development in Macau University of Science & Technology, an Assessment of Professional Competence (APC) mentor of RICS (Hong Kong Branch), a visiting professor of Overseas Education College Shanghai Jiaotong University, a member of The Chinese People's Political Consultative Conference, Xuhui District, Shanghai, a member of The Chinese People's Political Consultative Conference, Chongzuo, Guangxi, a council member of Shanghai Overseas Chinese Friendship Association, a council member of Shanghai Xuhui China Overseas Friendship Association, an Honorary President of the Hong Kong Guangxi Youth Association and an Honorary President of the Hong Kong Guangxi Chongzuo City Friendship Association. Dr. Leung also holds various positions with HKIS, including the member of Board of Professional Development, Board of Education, CEPA, Community and Charity Service and Public and Social Affairs Committees of HKIS, and serves in the Panel of Expert and as a Vice Chairman of the Planning and Development Division. Dr. Leung was appointed as a Director of the Company on 10 December 2012.

Mr. Lau Lai Chiu Patrick, aged 62, is an Independent Non-executive Director of the Company. He is also an independent non-executive director of South China (China) Limited. He has 35 years' experience in serving various bureaux and departments of the Government of the Hong Kong Special Administrative Region ("HKSARG") and the preceding government with scope of work spanned across Hong Kong's external trade and industrial policies, multilateral trade negotiations, training and development of civil servants, district administration and community development. Mr. Lau was an Advisor (Private Hospital Tender Assessment) of the Food and Health Bureau of the HKSARG. In 1997, Mr. Lau was appointed as the Deputy Secretary for Planning and Lands of the Planning, Environment and Lands Bureau of HKSARG, and participated in the formulation of policies and legislation on land planning, use, and administration. Subsequently, Mr. Lau was appointed as the Deputy Head and Acting Head of the Central Policy Unit of the HKSARG and responsible for the compilation of the Chief Executive's Policy Address and policy research. In 2002, Mr. Lau was appointed as Director of Lands of HKSARG and oversaw the implementation of policies on management, acquisition and disposal of government lands and on the sale of real estate development prior to completion. He retired from the post of Director of Lands in June 2007.

Mr. Lau graduated from The University of Hong Kong with a Bachelor Degree in Social Sciences (Hons). He was awarded the Silver Bauhinia Star in 2007 in recognition of his dedicated and meritorious service to the HKSARG and the Hong Kong community, particularly in the areas of planning and lands. He is presently a director of the Board of the Hong Kong Countryside Foundation, an advisor of the Hong Kong Ideas Centre, the Vice-President of the Hong Kong Professionals and Senior Executives Association, a member of the Audit Committee of the Hong Kong Housing Society, a member of the Land, Rehousing & Compensation Committee of Urban Renewal Authority, a member of the Public Administration Advisory Board, Department of Politics and Public Administration of The University of Hong Kong, a Senior Advisor of the Association of China Trend Studies (HK) and an Honorary Advisor of Construction Professionals' Development Centre. Mr. Lau was appointed as a Director of the Company on 3 March 2013.

Directors' Report

The directors of the Company (the "Directors") present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in property investment and development business in the Peoples Republic of China.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated income statement on page 28 of this Annual Report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 103 of this Annual Report. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Details of movements in the property, plant and equipment, investment properties and properties under development of the Group during the year are set out in notes 16, 18 and 22 to the audited consolidated financial statements. Further details of the Group's investment properties and properties under development are set out on page 104 of this Annual Report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 33 and 34 to the audited consolidated financial statements respectively.

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

In 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company, except that the trustee of the Company's employees' share award scheme, pursuant to the terms of the rules and trust deed of the scheme, purchased a total of 7,136,000 shares of the Company at a total consideration of HK$845,754.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 35 to the audited consolidated financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company's reserves available for distribution amounted to approximately HK$940,668,000.

DIRECTORS

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

Executive Directors:

Ng Hung Sang (*Chairman*)
Ng Yuk Yeung Paul (*Chief Executive Officer*)
Richard Howard Gorges
Cheung Choi Ngor
Ng Yuk Fung Peter
Yeung Kwong Sunny (*appointed on 10 December 2012*)
Law Albert Yu Kwan (*appointed on 3 March 2013*)

Non-executive Directors:

Ng Yuk Mui, Jessica
Lo Wing Yan William

Independent Non-executive Directors:

Cheng Yuk Wo
Pong Scarlett Oi Lan
So George Siu Ming
Leung Tony Ka Tung (*appointed on 10 December 2012*)
Lau Lai Chiu Patrick (*appointed on 3 March 2013*)

In accordance with Article 116 of the Articles of Association of the Company (the "AA"), Mr. Ng Hung Sang, Ms. Ng Yuk Mui Jessica, Mr. Cheng Yuk Wo and Ms. Pong Scarlett Oi Lan, J.P. will retire from office by rotation and be eligible to offer themselves for re-election. Mr. Ng Hung Sang, Ms. Ng Yuk Mui Jessica and Ms. Pong Scarlett Qi Lan, J.P., will offer themselves for re-election at the forthcoming annual general meeting of the Company. Mr. Cheng Yuk Wo has indicated that he will not seek re-election at the forthcoming annual general meeting of the Company. In accordance with Article 99 of the AA, Mr. Yeung Kwong Sunny, Mr. Law Albert Yu Kwan, Dr. Leung Tony Ka Tung and Mr. Lau Lai Chiu Patrick will retire at the forthcoming annual general meeting of the Company and, be eligible will offer themselves for re-election. Save as disclosed, all other remaining Directors continue in office.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") from each of the Independent Non-executive Directors, namely Mr. Cheng Yuk Wo, Ms. Pong Scarlett Oi Lan, J.P. and Mr. So George Siu Ming for the year ended 31 December 2012 and Dr. Leung Tony Ka Tung for the period between 10 December 2012 and 31 December 2012 and as at the date of this report, the Company still considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out on pages 7 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 OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

The Company

A. *Long position in shares*

Name of Director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Ng Hung Sang ("Mr. Ng")	Beneficial owner	363,393,739	7,495,060,667	67.05%
	Interests of spouse	967,923,774		
	Interest of controlled corporations	6,163,743,154 (Note)		
Ng Yuk Yeung Paul	Beneficial owner		2,602,667	0.02%
Ng Yuk Fung Peter	Beneficial owner		481,666,667	4.31%

Note:

The 6,163,743,154 shares of the Company held by Mr. Ng through controlled corporations include 1,088,784,847 shares held by Bannock Investment Limited ("Bannock"), 1,150,004,797 shares held by Earntrade Investments Limited ("Earntrade"), 1,817,140,364 shares held by Fung Shing Group Limited ("Fung Shing"), 1,728,362,917 shares held by Parkfield Holdings Limited ("Parkfield"), 76,464,373 shares held by Ronastar Investments Limited ("Ronastar"), 237,881,856 shares held by Worldunity Investments Limited ("Worldunity") and 65,104,000 shares held by South China Strategic Limited ("SC Strategic"). Fung Shing, Parkfield and Ronastar are all wholly-owned by Mr. Ng. Mr. Ng holds Worldunity and SC Strategic indirectly via South China Holdings Limited ("SCH") and South China (China) Limited ("SCC") respectively, which is owned as to 73.72% and 63.01% by Mr. Ng, while Bannock is a wholly-owned subsidiary of Earntrade which is owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges ("Mr. Gorges") and 20% by Ms. Cheung Choi Ngor ("Ms. Cheung"). As such, Mr. Ng was deemed to have interest in the 237,881,856 shares held by Worldunity, the 65,104,000 shares held by SC Strategic and the 2,238,789,644 shares held by Bannock and Earntrade.

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executives of the Company had registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register which was required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEMES

The Directors and employees of the Company and its subsidiaries are entitled to participate in the share option schemes of the Company. Particulars of the share option schemes of the Company together with the details of the options of the Company granted are set out in note 34 to the audited consolidated financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Schemes", at no time during the year was the Company, or any of its holding companies 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 the chief executives or any of their spouses or children under the age of 18, was granted any rights to subscribe for 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 4.16 to the audited consolidated financial statements.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year ended 31 December 2012 and up to the date of this Annual Report (where applicable) between the Group and other companies in which Mr. Ng, a Director and controlling shareholder of the Company, has beneficial interest are set out in note 39 to the audited consolidated financial statements and under the sections headed "Connected Transactions" and "Continuing 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, nor there was any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries for the year ended 31 December 2012.

MANAGEMENT CONTRACTS

Details of contracts for the management and administration of the whole or any substantial part of the business of the Company entered into or subsisted during the year are set out in note 39 to the audited consolidated financial statements and under the section headed "Continuing Connected Transactions" of this Annual Report.

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

As at 31 December 2012, the following persons, other than the Directors and chief executives of the Company, had interests and 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 under Section 336 of Part XV of SFO:

Long position

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
Earntrade	Beneficial owner and interest of controlled corporation	2,238,789,644 (Note a)	20.03%
Fung Shing	Beneficial owner	1,817,140,364	16.26%
Parkfield	Beneficial owner	1,728,362,917	15.46%
Bannock	Beneficial owner	1,088,784,847 (Note a)	9.47%
Ng Lai King Pamela ("Mrs. Ng")	Beneficial owner and interest of spouse	7,495,060,667 (Note b)	67.05%

Notes:

(a) Bannock is a wholly-owned subsidiary of Earntrade. The 2,238,789,644 shares in the Company held by Earntrade include 1,088,784,847 shares held by Bannock directly.

(b) Mrs. Ng who holds 967,923,774 shares of the Company beneficially, is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Mrs. Ng is deemed to be interested in the 363,393,739 shares and 6,163,743,154 shares held by Mr. Ng beneficially and through controlled corporations respectively as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above.

Save as disclosed above, as at 31 December 2012, no person, other than the Directors or chief executives of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted an employees' share award scheme (the "Share Award Scheme") for recognizing the contributions by certain employees of the Group, giving incentive to them in order to retain them for the continual operation and development of the Group and attracting suitable personnel for the development of the Group. Pursuant to the Share Award Scheme, the Company shall settle a sum up to HK$20 million until 31 December 2013 for the purchase of shares of the Company and/or SCC (the "Awarded Shares") from market which will be held on trust by the trustee for the selected employees of the Group. The selected employees and the reference awarded sum for the purchase of Share Award Shares to be awarded shall be determined by the Board from time to time at its absolute discretion.

Unless terminated earlier by the Board or all awarded Shares have been vested, the Share Award Scheme shall be valid and effective for a term of 15 years commencing on the date of adoption.

As at 31 December 2012, 8,968,000 shares of the Company and 2,328,000 shares of SCC were granted to the Group's selected employees (without Directors) under the Share Award Scheme, out of which 3,712,000 shares of the Company and 1,112,000 shares of SCC had lapsed and 5,256,000 shares of the Company and 1,216,000 shares of SCC unvested with various vesting dates from 30 June 2013 to 31 December 2014.

The Company recognized a share award expense of HK$427,000 (2011: HK$171,000) during the year ended 31 December 2012.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESSES

Mr. Ng, the Chairman and controlling shareholder of the Company, is also the chairman of SCH and SCC. Mr. Ng, personally and through controlled corporations, had controlling interest in the Company, SCH and SCC, in which certain corporate interest in SCH and SCC are held by Mr. Ng jointly with Mr. Gorges, an Executive Director of the Company (who is also an executive director of SCH and SCC) and Ms. Cheung, an Executive Director of the Company (who is also an executive director of SCH and SCC). Mr. Ng Yuk Yeung Paul, an Executive Director and Chief Executive Officer of the Company and has certain interest in the Company, also has certain interest in SCC. Mr. Ng Yuk Fung Peter ("Mr. Peter Ng"), an Executive Director of the Company and has certain interest in the Company, is also an executive director of SCH and SCC and has certain interest in SCC. Ms. Ng Yuk Mui Jessica ("Ms. Jessica Ng"), a Non-Executive Director of the Company, is also a non-executive director of SCH and SCC and has certain interest in SCC. Since certain subsidiaries of SCH and SCC are principally engaged in property development and investment business, each of Mr. Ng, Mr. Gorges, Ms. Cheung, Mr. Peter Ng and Ms. Jessica Ng are regarded as interested in such competing business 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 SCH and SCC and there is no direct competition amongst the three listed groups.

Save as disclosed above, as at 31 December 2012, 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.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to Rule 17.50A of the GEM Listing Rules, the change of Directors' biographical details since the date of last interim report of the Company relates to Dr. Lo Wing Yan William, J.P. Dr. Lo became a director of LZYE Group PLC in July 2012, a company which is listed in the Alternative Investment Market on the London Stock Exchange.

Updated biographical details of the Company's Directors are set out on pages 7 to 10 of this annual report.

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 GEM Listing Rules as at the date of this Annual Report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Details of the compliance by the Company with the Corporate Governance Code are set out on pages 20 to 25 of this Annual Report.

REQUIRED STANDARD FOR SECURITIES TRANSACTIONS BY DIRECTORS

Details of the compliance by the Company with the required standard of dealings for securities transactions by Directors as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules are set out on page 21 of this Annual Report.

CONNECTED AND CONTINUING 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 notes 25, 31 and 39 to the audited consolidated financial statements.

CONNECTED TRANSACTIONS

During the year and up to the date of this Annual Report, the Group had the following connected transaction, details of which were disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

Pursuant to the sales and purchase agreement dated 4 July 2012 entered into between Crystal Hub Limited, a subsidiary of the Company, and Even Dragon Limited, a subsidiary of SCC, Crystal Hub Limited had agreed to sell and Even Dragon Limited had agreed to purchase the entire equity interests in Splendor Sheen Limited for a consideration of approximately HK$1,589 million (as adjusted) subject to terms and conditions of the Sale and Purchase Agreement and the relevant supplemental agreement dated 25 September 2012 (the "Transaction"). Details about the transactions contemplated by the abovementioned agreements have been set out in the Company's announcement and circular dated 12 July 2012 and 19 October 2012, respectively. As published in the Company's announcement dated 17 January 2013, the Transaction was completed on 16 January 2013.

As at 4 July 2012 and 25 September 2012, Mr. Ng, the Chairman, executive director and substantial shareholder of the Company, through interest in controlled corporations owned as to 63.01% in SCC.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group had entered into the following continuing connected transaction which has become effective since January 2012, details of which were disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules:

— On 2 November 2011, Crystal Hub, a direct wholly-owned subsidiary of the Company, entered into the Agreement (the "Agreement") as the Grantor with Green Orient Investments Limited, an indirect wholly-owned subsidiary of SCC, as the Grantee for the exclusive right to manage the Avenue of Stars (previously named as Fortuna Plaza), which is restricted to the use of shopping mall and related operation, for a term of one year with the Grantee having the right to renew the Agreement annually on the same terms and conditions until 31 December 2026 at a basic annual fee of RMB80 million and an additional annual performance fee calculated based on 50% of the net operating profit as defined in the Agreement. Details of the transaction were disclosed in the announcement and circular of the Company dated 2 November 2011 and 19 December 2011 respectively. The transaction was approved by the independent shareholders of the Company at the extraordinary general meeting held on 6 January 2012.

— The deed to terminate the Agreement by the relevant subsidiary of each of SCC and the Company and the sale and purchase agreement in respect of the entire issued share capital of Splendor Sheen Limited (the "Sale and Purchase Agreement", as detailed in note 27) were signed on 4 July 2012. The transactions relevant transactions was completed on 16 January 2013.

The aforesaid continuing connected transaction has been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into a.) in the ordinary and usual course of business of the group; b.) either on normal commercial terms or on terms no less favorable to the group than terms available to or from independent third parties; and c.) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the company as a whole.

The Company's auditor was engaged to report on the group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above in accordance with Rule 20.38 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Cheng Yuk Wo (Chairman of the Committee), Ms. Pong Scarlett Oi Lan, J.P. and Mr. So George Siu Ming, and a Non-executive Director, Dr. Lo Wing Yan William, J.P.

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

The Group's annual results for the year ended 31 December 2012 have been 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 have been made.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2012, the sales to the Group's five largest customers accounted for 100% and the sales to the largest customer included therein accounted for 98% of the total sales. Purchase from the Group's five largest suppliers accounted for 98% and the purchases from the largest supplier included therein accounted for 37% of the total purchases for the year.

Except as disclosed in the continuing connected transactions mentioned above, 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 an interest in the Group's five largest customers or suppliers of the Group noted above.

AUDITOR

Messrs. BDO Limited 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, 19 March 2013

Corporate Governance Report

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CORPORATE GOVERNANCE CODE

The Company complied with all the code provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (collectively the "CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") throughout the year ended 31 December 2012.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2012, the Board consisted of 12 Directors, including six Executive Directors, two Non-executive Directors and four Independent Non-executive Directors.

With effect from 3 March 2013, one additional Executive Director and one additional Independent Non-executive Director had been appointed to further strengthen the Board structure. The Board has since then consisted of 14 Directors, including the Chairman, Mr. Ng Hung Sang, and the Chief Executive Officer, Mr. Ng Yuk Yeung Paul, who are Executive Directors, five additional Executive Directors, two Non-executive Directors and five Independent Non-executive Directors. One third of the Board is Independent Non-executive Directors. Directors' biographies and relevant relationships amongst them are set out in the Directors' Biographical Details on pages 7 to 10 of this Annual Report.

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. 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 GEM Listing Rules in having at least one of the Independent Non-executive Directors with appropriate accounting qualifications and expertise.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on a formal written procedure and policy for the appointment of new directors. When selecting potential candidates for directors, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors.

All Directors (including Non-executive Directors) of the Company are subject to retirement by rotation at least once every three years in accordance with the Company's Articles of Association.

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

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 roles of Chairman and Chief Executive Officer are separate and are clearly defined. Such roles are performed by different individuals with a view to reinforcing independence and accountability. Key and important decisions are fully discussed at board meetings.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda for 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.

The Board held five meetings in 2012:

	Attendance
Executive Directors	
Ng Hung Sang (*Chairman*)	4/5
Ng Yuk Yeung, Paul (*Chief Executive Officer*)	4/5
Richard Howard Gorges	5/5
Cheung Choi Ngor	5/5
Ng Yuk Fung Peter	5/5
Yeung Kwong Sunny*	N/A
Non-executive Directors	
Ng Yuk Mui Jessica	4/5
Lo Wing Yan William	4/5
Independent Non-executive Directors	
Cheng Yuk Wo	5/5
Pong Scarlett Oi Lan	4/5
So George Siu Ming	4/5
Leung Tony Ka Tung*	N/A

* Appointed on 10 December 2012

Notices of at least fourteen days are given to Directors for regular meetings, while Board papers are sent to Directors not less than three days before the intended date of a board or board committee meeting. With respect to other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. 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 complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

Directors have full access to information on the Group and are able to obtain independent professional advice whenever they deem necessary. Memorandums are issued to Directors from time to time to update them with legal and regulatory changes and matters of relevance to Directors in the discharge of their duties.

SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by Directors. In addition, the Board has established similar guidelines for relevant employees who are likely to be in possession of unpublished price sensitive information in relation to the Group or its securities.

All Directors of the Company 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 2012.

INTERNAL CONTROL

Recognizing 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 GEM Listing Rules, Directors 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 that the audit programs cover key internal control areas of key operating subsidiaries on a rotational basis for the review by the Audit Committee at 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. Communication channel has been established between the IA Team and the Audit Committee members.

The IA Team monitors the internal control procedures and systems of the Group, reports findings and makes recommendations, if any, to the Audit Committee at a regular interval. During the year, the Revenue Cycle and improvements to the Recurring Expense and Payment Cycle were reviewed and addressed in the internal control report which was presented by the IA Team to the Audit Committee and the Board for review.

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2012, the Auditor of the Company received approximately HK$500,000 for audit services and HK$198,632 for non-audit services provided to the Company. Non-audit services included professional services rendered in connection with a very substantial disposal of the entire interest in Splendor Sheen Limited and its subsidiaries, details which are disclosed under "Connected Transactions" of the Directors' Report and statement of indebtedness of the Company and its subsidiaries on 31 August 2012.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

Apart from updates on regulatory changes and governance developments provided by the Company, Directors are encouraged to participate in professional training and seminars to develop and refresh their knowledge and skills. A training record has been devised to record the training Directors have undertaken.

A briefing session was organised for Directors at the board meeting of 20 March 2012 to update the Directors on the new amendments to the CG Code and the associated GEM Listing Rules.

During the year 2012, the Directors participated in the following trainings:

Directors	Type of trainings Attended Briefings	Reading Materials and Updates
Executive Directors		
Ng Hung Sang	✓	✓
Ng Yuk Yeung Paul	✓	✓
Richard Howard Gorges	✓	✓
Cheung Choi Ngor	✓	✓
Ng Yuk Fung Peter	✓	✓
Yeung Kwong Sunny*	N/A	N/A
Non-Executive Directors	✓	✓
Ng Yuk Mui Jessica	✓	✓
Lo Wing Yan William	✓	✓
Independent Non-Executive Directors		
Cheng Yuk Wo	✓	✓
Pong Scarlett Oi Lan	✓	✓
So George Siu Ming	✓	✓
Leung Ka Tung Tony*	N/A	N/A

* Appointed on 10 December 2012

AUDIT COMMITTEE

The Audit Committee consists of three Independent Non-executive Directors, namely Mr. Cheng Yuk Wo (the committee chairman), Ms. Pong Scarlett Oi Lan, J.P. and Mr. So George Siu Ming, and one Non-executive Director, Dr. Lo Wing Yan William.

The principal duties of the Audit Committee in accordance with its terms of reference, are substantially the same as those under the CG Code, include the review of the Group's financial reporting system and internal control procedures, review of financial information of the Group and review of the relationship with the Auditors of the Group. The Audit Committee has also been delegated by the Board to be responsible for performing the corporate governance duties under the CG Code.

The Audit Committee held four meetings in 2012 in which representatives of the management were present to review the quarterly, interim and final results, the quarterly, interim and annual reports, and other financial, internal control and corporate governance matters. The Group's Auditors were present in two of the meetings.

	Attendance
Cheng Yuk Wo	4/4
Lo Wing Yan William	4/4
Pong Scarlett Oi Lan	3/4
So George Siu Ming	4/4

The Audit Committee reviewed the Group's annual results for the year ended 31 December 2012, the internal control system and the corporate governance practices.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee was set up on 20 March 2012 to replace the original Remuneration Committee and perform both remuneration and nomination functions. It consists of three Independent Non-executive Directors, namely Mr. So George Siu Ming (the committee chairman), Mr. Cheng Yuk Wo, Ms. Pong Scarlett Oi Lan, J.P., and one Non-executive Director, Dr. Lo Wing Yan William, J.P.

The principal duties of the Remuneration and Nomination Committee in accordance with its terms of reference, are substantially the same as those under the CG Code, including review on the structure and composition of the Board, identification of suitably qualified Board candidates, and review of the remuneration of Directors and senior management and make recommendations to the Board on the remuneration policy and structure.

The Remuneration and Nomination Committee met once in 2012 and the attendance record is set out below:

	Attendance
So George Siu Ming	1/1
Cheng Yuk Wo	1/1
Pong Scarlett Oi Lan	1/1
Lo Wing Yan William	1/1

The Remuneration and Nomination reviewed the policies for the remuneration of Executive Directors, including basic salaries, discretionary performance bonus and other emoluments, based on skills, knowledge, involvement in the Company's affairs and performance of the individual Executive Director with reference to the Company's performance and profitability, as well as industry practice. Directors' fees for all Directors are subject to shareholders' approval at 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.

The Remuneration and Nomination Committee reviewed the structure, size and composition of the Board, adopted a formal written procedure and policy for the appointment of new directors, assessed the Independent Non-executive Directors and made recommendations to the Board on the appointment and re-appointment of Directors.

SHAREHOLDERS' RIGHTS

Information is communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), annual general meetings and other general meetings, as well as disclosures on the website of the Company.

Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are available on the website of the Company. The Company's website provides shareholders with the corporate information of the Group.

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the branch share registrar of the Company, in case of enquiries about shareholdings.

The annual general meeting of the Company ("AGM") allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit Committee and the Remuneration and Nomination Committee and the external auditor also attend the AGM to answer questions from shareholders. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the GEM Listing Rules. The chairman of the AGM exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website on the day of the AGM.

Extraordinary general meetings ("EGMs") shall be convened on the requisition of any one member of the Company which is a recognized clearing house or any two or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Company Secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 3 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The attendance record of the Directors at the AGM and EGMs held in 2012 is set out below:

Directors	**EGM (6 Jan 2012)**	**AGM (8 May 2012)**	**EGM (13 Nov 2012)**
Executive Directors			
Ng Hung Sang		✓	✓
Ng Yuk Yeung Paul		✓	✓
Richard Howard Gorges	✓		✓
Cheung Choi Ngor	✓	✓	✓
Ng Yuk Fung Peter		✓	✓
Yeung Kwong Sunny*	N/A	N/A	N/A
Non-Executive Directors			
Ng Yuk Mui Jessica			✓
Lo Wing Yan William			
Independent Non-Executive Directors			
Cheng Yuk Wo	✓	✓	✓
Pong Scarlett Oi Lan		✓	
So George Siu Ming			
Leung Ka Tung Tony*	N/A	N/A	N/A

* Appointed on 10 December 2012

Independent Auditor's Report

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To The Shareholders of South China Land Limited
南華置地有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of South China Land Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 28 to 102, which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 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.

BDO Limited
Certified Public Accountants

Cheung Or Ping
Practising Certificate Number P05412

Hong Kong, 19 March 2013

Consolidated Income Statement

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Revenue	6	**48,693**	5,175
Other operating income	7	**1,820**	5,606
Increase in fair value of investment properties	18	**43,135**	86,779
Selling and distribution costs		**(1,629)**	(10,814)
Administrative and other operating expenses		**(29,794)**	(33,744)
Operating profit	9	**62,225**	53,002
Finance costs	10	**(45,969)**	(39,374)
Profit before income tax		**16,256**	13,628
Income tax expense	11	**(10,784)**	(21,695)
Profit/(loss) for the year		**5,472**	(8,067)
Profit/(loss) for the year attributable to:			
Equity holders of the Company	12	**2,020**	(9,721)
Non-controlling interests		**3,452**	1,654
		5,472	(8,067)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year	13		
— Basic		**HK0.02 cent**	HK(0.09) cent
— Diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000 (Restated)
Profit/(loss) for the year	**5,472**	(8,067)
Other comprehensive income for the year		
Exchange differences on translation of financial statements of overseas subsidiaries	**3,000**	92,079
Total comprehensive income for the year	**8,472**	84,012
Total comprehensive income attributable to:		
Equity holders of the Company	**4,794**	68,178
Non-controlling interests	**3,678**	15,834
	8,472	84,012

Consolidated Statement of Financial Position

As at 31 December 2012

	Notes	31/12/2012 HK$'000	31/12/2011 HK$'000 (Restated)	1/1/2011 HK$'000 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	16	**1,746**	6,217	4,138
Prepaid land lease payments	17	**–**	–	4,646
Investment properties	18	**–**	2,975,087	2,663,437
Goodwill	20	**355,326**	355,326	355,326
Deposit paid, prepayments and other receivables	21	**–**	–	428,660
		357,072	3,336,630	3,456,207
Current assets				
Properties under development	22	**146,931**	74,922	15,528
Financial assets at fair value through profit or loss	23	**1,405**	–	–
Trade receivables	24	**–**	95	141
Deposit paid, prepayments and other receivables	21	**658,362**	655,344	11,900
Tax recoverable		**348**	348	334
Amount due from a non-controlling shareholder of a subsidiary	25	**17,747**	52,923	50,877
Pledged bank deposits	30	**10,853**	32,001	–
Cash and cash equivalents	26	**377,419**	59,062	100,769
		1,213,065	874,695	179,549
Assets classified as held for sale	27	**3,070,252**	–	–
		4,283,317	874,695	179,549
Current liabilities				
Trade payables	28	**2,076**	79,401	7,936
Other payables, accrued expenses and receipts in advance	29	**525,767**	181,584	56,937
Amount due to a related company	25	**–**	–	721
Loans from shareholders	31	**150,000**	–	–
Loan from a related company	31	**78,000**	–	–
Bank borrowings	30	**–**	12,319	578,254
		755,843	273,304	643,848
Liabilities classified as held for sale	27	**1,137,752**	–	–
		1,893,595	273,304	643,848
Net current assets/(liabilities)		**2,389,722**	601,391	(464,299)
Total assets less current liabilities		**2,746,794**	3,938,021	2,991,908

As at 31 December 2012

	Notes	31/12/2012 HK$'000	31/12/2011 HK$'000 (Restated)	1/1/2011 HK$'000 (Restated)
Non-current liabilities				
Bank borrowings	30	**–**	580,813	–
Loan from a related company	31	**–**	78,000	–
Loans from shareholders	31	**452,010**	498,810	336,321
Deferred tax liabilities	32	**–**	493,479	452,762
		452,010	1,651,102	789,083
Net assets		**2,294,784**	2,286,919	2,202,825
Equity attributable to the equity holders of the Company				
Share capital	33	**111,785**	111,785	111,785
Reserves	35	**1,815,715**	1,811,687	1,743,427
		1,927,500	1,923,472	1,855,212
Non-controlling interests		**367,284**	363,447	347,613
Total equity		**2,294,784**	2,286,919	2,202,825

On behalf of the Board

Ng Yuk Yeung, Paul *Director*	**Ng Yuk Fung, Peter** *Director*

Statement of Financial Position

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	19	**–**	–
Current assets			
Amounts due from subsidiaries	19	**1,779,765**	1,620,869
Cash and cash equivalents		**61**	48
		1,779,826	1,620,917
Current liabilities			
Other payables and accrued expenses	29	**44,907**	28,194
Amounts due to subsidiaries	19	**346,612**	203,101
		391,519	231,295
Net current assets		**1,388,307**	1,389,622
Total assets less current liabilities		**1,388,307**	1,389,622
Non-current liabilities			
Loans from shareholders	31	**336,700**	336,700
Net assets		**1,051,607**	1,052,922
EQUITY			
Share capital	33	**111,785**	111,785
Reserves	35	**939,822**	941,137
Total equity		**1,051,607**	1,052,922

On behalf of the Board

Ng Yuk Yeung, Paul
Director

Ng Yuk Fung, Peter
Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Cash flows from operating activities			
Profit before income tax		**16,256**	13,628
Adjustments for:			
Interest income	7	**(212)**	(160)
Increase in fair value of investment properties	18	**(43,135)**	(86,779)
Depreciation	16	**2,663**	1,902
Equity settled share-based payment expenses	14	**427**	171
Interest expense	10	**45,969**	39,374
Operating profit/(loss) before working capital changes		**21,968**	(31,864)
Decrease in trade receivables		**95**	46
Payments of properties under development	22	**(45,715)**	(38,735)
Decrease/(Increase) in amount due from a non-controlling shareholder of a subsidiary		**370**	(840)
Increase in deposit paid, prepayments and other receivables		**(14,250)**	(290,905)
(Decrease)/Increase in trade payables		**(32,974)**	69,233
Increase in other payables, accrued expenses and receipts in advance		**325,346**	189,685
Decrease in amount due to a related company		**–**	(721)
Net cash generated from/(used in) operating activities		**254,840**	(104,101)
Cash flows from investing activities			
Interest received	7	**212**	160
Net cash inflow from disposal of subsidiaries	40	**–**	12,945
Additions of property, plant and equipment	16	**(679)**	(4,177)
Payments of investment properties	18	**–**	(110,955)
Decrease/(Increase) in pledged bank deposits		**21,148**	(32,001)
Purchase of financial assets at fair value through profit or loss		**(1,405)**	–
Net cash generated from/(used in) investing activities		**19,276**	(134,028)
Cash flows from financing activities			
Repayments of bank loans		**(12,312)**	(8,420)
Loans from shareholders		**103,200**	162,489
Loan from a related company		**–**	78,000
Purchase of treasury shares		**(846)**	–
Interest paid	10	**(45,637)**	(38,055)
Net cash generated from financing activities		**44,405**	194,014
Net increase/(decrease) in cash and cash equivalents		**318,521**	(44,115)
Cash and cash equivalents at 1 January		**59,062**	100,769
Effect of foreign exchange rate changes		**1,799**	2,408
Cash and cash equivalents at 31 December		**379,382**	59,062
Less: Cash and cash equivalents classified as held for sale	27	**(1,963)**	–
Adjusted cash and cash equivalents at 31 December	26	**377,419**	59,062
Analysis of the cash and cash equivalents			
— Cash and cash equivalents	26	**377,419**	59,062

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Equity attributable to the equity holders of the Company									Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Capital reserve	Capital contribution reserve	Employee compensation reserve	Exchange reserve	Retained earnings	Total		
	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 2011 (As previously reported)	111,785	771,842	–	6,044	291,562	1,818	115,382	584,159	1,882,592	344,745	2,227,337
Impact of prior year adjustments with respect to:											
— Translation and re-translation of fair value gain of investment properties (note 3(a))	–	–	–	–	–	–	21,634	(21,634)	–	–	–
— Translation and re-translation of deferred tax liabilities in relation to fair value gain of investment properties (note 3(b))	–	–	–	–	–	–	(5,409)	5,409	–	–	–
— Re-translation of deferred tax liabilities (note 3(c))	–	–	–	–	–	–	(19,735)	–	(19,735)	–	(19,735)
— Onshore expenses capitalised by the PRC project company (note 3(d))	–	–	–	–	–	–	–	(3,823)	(3,823)	3,823	–
— Deferred tax liabilities in relation to onshore expenses capitalised by the PRC project company (note 3(e))	–	–	–	–	–	–	–	(3,822)	(3,822)	(955)	(4,777)
At 1 January 2011 (Restated)	**111,785**	**771,842**	**–**	**6,044**	**291,562**	**1,818**	**111,872**	**560,289**	**1,855,212**	**347,613**	**2,202,825**
Transactions with owners											
Disposal of subsidiaries	–	–	–	–	–	–	(1,666)	1,666	–	–	–
Recognition of equity settled share-based compensation	–	–	–	–	–	82	–	–	82	–	82
Lapse of share options	–	–	–	–	–	(1,150)	–	1,150	–	–	–
Transactions with owners	–	–	–	–	–	(1,068)	(1,666)	2,816	82	–	82
Comprehensive income											
Loss for the year	–	–	–	–	–	–	–	(9,721)	(9,721)	1,654	(8,067)
Other comprehensive income											
Exchange realignment	–	–	–	–	–	–	77,899	–	77,899	14,180	92,079
Total comprehensive income for the year	–	–	–	–	–	–	77,899	(9,721)	68,178	15,834	84,012
At 31 December 2011 (Restated)	**111,785**	**771,842**	**–**	**6,044**	**291,562**	**750**	**188,105**	**553,384**	**1,923,472**	**363,447**	**2,286,919**
At 31 December 2011 (As previously reported)	**111,785**	**771,842**	**–**	**6,044**	**291,562**	**750**	**164,045**	**610,143**	**1,956,171**	**360,579**	**2,316,750**
Impact of prior year adjustments with respect to:											
— Translation and re-translation of fair value gain of investment properties (note 3(a))	–	–	–	–	–	–	65,485	(65,485)	–	–	–
— Translation and re-translation of deferred tax liabilities in relation to fair value gain of investment properties (note 3(b))	–	–	–	–	–	–	(16,371)	16,371	–	–	–
— Re-translation of deferred tax liabilities (note 3(c))	–	–	–	–	–	–	(25,054)	–	(25,054)	–	(25,054)
— Onshore expenses capitalised by the PRC project company (note 3(d))	–	–	–	–	–	–	–	(3,823)	(3,823)	3,823	–
— Deferred tax liabilities in relation to onshore expenses capitalised by the PRC project company (note 3(e))	–	–	–	–	–	–	–	(3,822)	(3,822)	(955)	(4,777)
At 31 December 2011 (Restated) and 1 January 2012	**111,785**	**771,842**	**–**	**6,044**	**291,562**	**750**	**188,105**	**553,384**	**1,923,472**	**363,447**	**2,286,919**
Transactions with owners											
Recognition of equity settled share-based compensation	–	–	–	–	–	184	–	–	184	–	184
Purchase of share for share award scheme	–	–	(846)	–	–	–	–	–	(846)	–	(846)
Lapse of share options	–	–	–	–	–	(668)	–	668	–	–	–
Forfeit of share awards	–	–	–	–	–	(60)	–	60	–	–	–
Capital contribution from non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	159	159
Deregistration of a subsidiary (note 19)	–	–	–	–	–	–	(104)	–	(104)	–	(104)
Transactions with owners	–	–	(846)	–	–	(544)	(104)	728	(766)	159	(607)
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	2,020	2,020	3,452	5,472
Other comprehensive income											
Exchange realignment	–	–	–	–	–	–	2,774	–	2,774	226	3,000
Total comprehensive income for the year	–	–	–	–	–	–	2,774	2,020	4,794	3,678	8,472
At 31 December 2012	**111,785**	**771,842**	**(846)**	**6,044**	**291,562**	**206**	**190,775**	**556,132**	**1,927,500**	**367,284**	**2,294,784**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2012

1. GENERAL INFORMATION

South China Land Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The address of its registered office is Floor 4, Willow House, Cricket Square, PO Box 2804, Grand Cayman KY1-1112, Cayman Islands and its principal place of business is 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong. The Company's shares are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company and its subsidiaries (together referred to as the "Group") are property investment and development in the People's Republic of China (the "PRC").

The financial statements on pages 28 to 102 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

The financial statements for the year ended 31 December 2012 were approved for issue by the board of directors on 19 March 2013.

2. ADOPTION OF NEW OR AMENDED HKFRSs

(a) Adoption of new/revised HKFRS

In the current year, the Group has applied, for the first time the following new standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 January 2012:

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

The adoption of the new HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

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

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (2011)	Employee Benefit[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investment in Associates and Joint Ventures[2]
Amendments to HKFRS 1	Government loans[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[3]

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

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncements. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. The directors are currently assessing the impact of other new and amended HKFRSs upon initial application but are not yet in a position to state whether they would have material financial impact on the Group's results and financial position.

HKFRSs (AMENDMENTS) — ANNUAL IMPROVEMENTS 2009-2011 CYCLE

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41–44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRSs (AMENDMENTS) — ANNUAL IMPROVEMENTS 2009-2011 CYCLE *(Continued)*

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

AMENDMENTS TO HKAS 1 (REVISED) — PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

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

AMENDMENTS TO HKAS 32 — OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

AMENDMENTS TO HKFRS 7 — OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

HKFRS 9 FINANCIAL INSTRUMENTS

Under the standard, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF NEW OR AMENDED HKFRSs *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 10 — CONSOLIDATED FINANCIAL STATEMENTS

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implantation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 12 — DISCLOSURE OF INTERESTS IN OTHER ENTITIES

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 — FAIR VALUE MEASUREMENT

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

3. PRIOR YEAR ADJUSTMENTS

After the release of the announcement for the disposal of the entire interest in Splendor Sheen Limited ("Splendor") on 12 July 2012, the Group proceeded to prepare the circular for such transaction. During the course of the preparation of the accountants' report for Splendor and its subsidiaries for the circular purposes, the Company revisited the consistency of the foreign currency translation convention and the appropriateness of the foreign currency exchange rates adopted to translate the individual financial statements of the foreign operations originally presented in a currency different from the Group's presentation currency, i.e. HK$. It was noted that certain exchange differences on translation and re-translation of the item in the financial statements of an overseas subsidiary as detailed in the following paragraphs, which should have been recognised in other comprehensive income and, hence, exchange reserve, were recognised in the income statement in 2010 and 2011 instead. As such, prior year adjustments were made to the prior year consolidated financial statements. The causes and effect of such adjustments are detailed below.

In 2010, the Group reclassified its property under development, which was recorded at historical cost, in the PRC held by a PRC subsidiary to investment property, which is measured at fair value, as it turned to hold the property for rental income and ceased to sell the same. To adopt a consistent foreign currency translation convention, the fair value gain arising from the re-measurement of the investment property at fair value and the corresponding deferred tax charge in 2010, both denominated in Renminbi ("RMB"), should have been translated to the Company's reporting currency at the average rate for the year in consistency with other income statement items. However, the said fair value gain and deferred tax as reported in the 2010 audited consolidated financial statements were translated at the exchange rate ruling at the end of the reporting period, i.e. 31 December 2010. As such, the differences between the respective RMB denominated amounts translated at the average exchange rate and at the exchange rate ruling at 31 December 2010, which should have been recognised in other comprehensive income, were recognised in the income statement. Similarly, the fair value gain on investment properties for 2011 and the deferred tax thereon recognised in the income statement for that year was translated at the exchange rate ruling at 31 December 2011. Also, the exchange differences on re-translation of the fair value gain on investment properties recognised in 2010 and the corresponding deferred tax liabilities, which should have been recognised in other comprehensive income and, hence, exchange reserve, were recognised in the income statement in 2011 instead.

In addition, the RMB denominated deferred tax liabilities brought forward was not re-translated at the exchange rate ruling at the year end date of both years and, hence, was understated. Nevertheless, the amounts so understated in both years were immaterial in the context of the consolidated financial statements of respective years. Further, the costs incurred by a holding company, being a wholly owned subsidiary of the Company holding 80% equity interests in the relevant PRC project company, out of the PRC for the construction of the abovementioned property and capitalised by the Group were treated as if these amounts were onshore expenses capitalised by that PRC project company in the calculation of the deferred tax as referred to in the above for both years. As such, the deferred tax charged was understated. The deferred tax charged so understated standing alone was immaterial.

Although the adjustments for 2010 are relatively immaterial in the context of the consolidated financial statements for that year, the Company elected to restate the 2010 consolidated financial statements to preserve the consistency of the foreign currency translation convention and basis of deferred tax computation adopted in the preparation of the financial statements in compliance with the applicable accounting standards. Accordingly, prior year adjustments were made and the comparative figures were restated.

3. PRIOR YEAR ADJUSTMENTS *(Continued)*

A summary of prior year adjustments are shown as below:

For the year ended 31 December 2011:

	As Restated *HK$'000*	**As Previously Reported** *HK$'000*	**Increase/ (Decrease)** *HK$'000*
Consolidated income statement for the year ended 31 December 2011 (note(f)(I)):			
Increase in fair value of investment property	86,779	141,593	(54,814)
Deferred income tax expense	21,695	35,398	(13,703)
(Loss)/profit for the year	(8,067)	33,044	(41,111)
(Loss)/profit for the year attributable to equity holders of the Company	(9,721)	23,168	(32,889)
Profit for the year attributable to non-controlling interests	1,654	9,876	(8,222)
Consolidated statement of comprehensive income for the year ended 31 December 2011 (note(f)(II)):			
Exchange differences on translation of financial statements of overseas subsidiaries	92,079	56,287	35,792
Total comprehensive income for the year	84,012	89,331	(5,319)
Total comprehensive income attributable to equity holders of the Company	68,178	73,497	(5,319)
Consolidated statement of financial position and consolidated statement of changes in equity as at 31 December 2011 (note(f)(III)):			
Deferred tax liabilities	493,479	463,648	29,831
Retained earnings	553,384	610,143	(56,759)
Exchange reserve	188,105	164,045	24,060
Non-controlling interests	363,447	360,579	2,868
Total equity	2,286,919	2,316,750	(29,831)
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company (note(f)(I)):			
— Basic	HK(0.09) cent	HK0.21 cent	

3. PRIOR YEAR ADJUSTMENTS *(Continued)*

For the year ended 31 December 2010:

	As Restated *HK$'000*	As Previously Reported *HK$'000*	Increase/ (Decrease) *HK$'000*
Consolidated statement of financial position as at 31 December 2010/1 January 2011 (note(f)(IV)):			
Deferred tax liabilities	452,762	428,250	24,512
Retained earnings	560,289	584,159	(23,870)
Exchange reserve	111,872	115,382	(3,510)
Non-controlling interests	347,613	344,745	2,868
Total equity	2,202,825	2,227,337	(24,512)

The detailed financial impact of each prior year adjustment is provided in note 3(a) to 3(e) below. The amounts of the prior year adjustments for each financial statement line item affected are presented in the tables in notes 3(f)(I) to 3(f)(IV) below.

(a) Translation and re-translation of fair value gain of investment properties

The increase in fair value of investment properties has been overstated by approximately HK$27,042,000 and HK$54,814,000 for the years ended 31 December 2010 and 2011 respectively. The effect of the restatement on the Group's consolidated income statement for the year ended 31 December 2011 is to reduce the increase in fair value of investment properties by approximately HK$54,814,000, to reduce the profit for the year attributable to equity holders of the Company by approximately HK$43,851,000 and to reduce the profit for the year attributable to non-controlling interests by approximately HK$10,963,000. The effect of the restatement on the Group's consolidated statement of comprehensive income for the year ended 31 December 2011 is to increase the exchange differences on translation of financial statements of overseas subsidiaries by approximately HK$54,814,000. The effect of the restatement on the Group's consolidated statement of financial position at 1 January 2011 and 31 December 2011 is to increase the exchange reserve by approximately HK$21,634,000 and HK$65,485,000 respectively, and to reduce the retained earnings by approximately HK$21,634,000 and HK$65,485,000 respectively.

(b) Translation and re-translation of deferred tax liabilities in relation to fair value gain of investment properties

The income tax expenses arising from the corresponding deferred tax impact for the re-measurement of the investment properties at fair value dominated in RMB as detailed in note 3(a) to the financial statements has been overstated by approximately HK$13,703,000 for the year ended 31 December 2011. The effect of the restatement on the Group's consolidated income statement for the year ended 31 December 2011 is to reduce the income tax expense by approximately HK$13,703,000, to increase the profit attributable to equity holders of the Company by approximately HK$10,962,000 and to increase the profit for the year attributable to non-controlling interests by approximately HK$2,741,000. The effect of the restatement on the Group's consolidated statement of comprehensive income for the year ended 31 December 2011 is to reduce the exchange differences on translation of financial statements of overseas subsidiaries by approximately HK$13,703,000. The effect of the restatement on the Group's consolidated statement of financial position at 1 January 2011 and 31 December 2011 is to reduce the exchange reserve by approximately HK$5,409,000 and HK$16,371,000 respectively, and to increase the retained earnings by approximately HK$5,409,000 and HK$16,371,000 respectively.

3. PRIOR YEAR ADJUSTMENTS *(Continued)*

(c) Re-translation of deferred tax liabilities

The deferred tax liabilities as at 31 December 2010 and 2011 was understated by approximately HK$19,735,000 and HK$25,054,000 respectively. The effect of the restatement on the Group's consolidated statement of financial position at 1 January 2011 and 31 December 2011 is to increase the deferred tax liabilities and reduce the exchange reserve as at 1 January 2011 and 31 December 2011 by approximately HK$19,735,000 and HK$25,054,000 respectively.

(d) Onshore expenses capitalised by the PRC project company

The share of profit for the year attributable to non-controlling shareholders has been understated by approximately HK$3,823,000 for the years ended 31 December 2010 and 2011. The effect of the restatement on the Group's consolidated statement of financial position at 1 January 2011 and 31 December 2011 is to reduce the retained earnings of the Group by approximately HK$3,823,000, and to increase the non-controlling interests by approximately HK$3,823,000.

(e) Deferred tax liabilities in relation to onshore expenses capitalised by the PRC project company

The deferred tax liabilities arising from the corresponding deferred tax impact for the costs incurred by the wholly owned subsidiary of the Company which hold 80% equity interests in a relevant PRC project company, has been understated by approximately HK$4,777,000 as at 31 December 2010 and 2011. The effect of the restatement on the Group's consolidated statement of financial position at 1 January 2011 and 31 December 2011 is to increase the deferred tax liabilities by approximately HK$4,777,000, to reduce the non-controlling interest by approximately HK$955,000, and to reduce the retained earnings by approximately HK$3,822,000.

(f) Summary of effects of restatements due to the prior year adjustments

The following is a summary of effects of restatements due to the prior year adjustments on:

I. the Group's consolidated income statement for the year ended 31 December 2011;

II. the Group's consolidated statement of comprehensive income for the year ended 31 December 2011;

III. the Group's consolidated statement of financial position as at 31 December 2011; and

IV. the Group's consolidated statement of financial position as at 1 January 2011.

3. PRIOR YEAR ADJUSTMENTS *(Continued)*

(f) Summary of effects of restatements due to the prior year adjustments *(Continued)*

I. EFFECT OF THE PRIOR YEAR ADJUSTMENTS ON THE GROUP'S CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	As previously reported HK$'000	Note 3(a) HK$'000	Note 3(b) HK$'000	As restated HK$'000
Revenue	5,175			5,175
Other operating income	5,606			5,606
Increase in fair value of investment properties	141,593	(54,814)		86,779
Selling and distribution costs	(10,814)			(10,814)
Administrative and other operating expenses	(33,744)			(33,744)
Operating profit	107,816			53,002
Finance costs	(39,374)			(39,374)
Profit before income tax	68,442			13,628
Income tax expense	(35,398)		13,703	(21,695)
Profit/(loss) for the year	33,044			(8,067)
Profit/(loss) for the year attributable to:				
Equity holders of the Company	23,168	(43,851)	10,962	(9,721)
Non-controlling interests	9,876	(10,963)	2,741	1,654
	33,044			(8,067)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year				
— Basic	HK0.21 cent			HK(0.09) cent
— Diluted	N/A			N/A

3. PRIOR YEAR ADJUSTMENTS *(Continued)*

(f) Summary of effects of restatements due to the prior year adjustments *(Continued)*

II. EFFECT OF THE PRIOR YEAR ADJUSTMENTS ON THE GROUP'S CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	As previously reported HK$'000	Note 3(a) HK$'000	Note 3(b) HK$'000	Note 3(c) HK$'000	As restated HK$'000
Profit/(loss) for the year	33,044	(54,814)	13,703		(8,067)
Other comprehensive income for the year:					
Exchange differences on translation of financial statements of overseas subsidiaries	56,287	54,814	(13,703)	(5,319)	92,079
Total comprehensive income for the year	89,331	–	–	(5,319)	84,012
Total comprehensive income attributable to:					
Equity holders of the Company	73,497			(5,319)	68,178
Non-controlling interests	15,834				15,834
	89,331				84,012

3. PRIOR YEAR ADJUSTMENTS *(Continued)*

(f) Summary of effects of restatements due to the prior year adjustments *(Continued)*

III. EFFECT OF THE PRIOR YEAR ADJUSTMENTS ON THE GROUP'S CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	As previously reported	Note 3(a)	Note 3(b)	Note 3(c)	Note 3(d)	Note 3(e)	As restated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES							
Non-current assets							
Property, plant and equipment	6,217						6,217
Investment properties	2,975,087						2,975,087
Goodwill	355,326						355,326
	3,336,630						3,336,630
Current assets							
Properties under development	74,922						74,922
Trade receivables	95						95
Deposit paid, prepayments, other receivables and tax recoverable	655,692						655,692
Amount due from a non-controlling shareholder of a subsidiary	52,923						52,923
Pledged bank deposits	32,001						32,001
Cash and cash equivalents	59,062						59,062
	874,695						874,695
Current liabilities							
Trade payables	79,401						79,401
Other payables, accrued expenses and receipts in advance	181,584						181,584
Bank borrowings	12,319						12,319
	273,304						273,304
Net current assets	601,391						601,391
Total assets less current liabilities	3,938,021						3,938,021
Non-current liabilities							
Bank borrowings	580,813						580,813
Loan from a related company	78,000						78,000
Loans from shareholders	498,810						498,810
Deferred tax liabilities	463,648			25,054		4,777	493,479
	1,621,271						1,651,102
Net assets	2,316,750						2,286,919

3. PRIOR YEAR ADJUSTMENTS *(Continued)*

(f) Summary of effects of restatements due to the prior year adjustments *(Continued)*

III. EFFECT OF THE PRIOR YEAR ADJUSTMENTS ON THE GROUP'S CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011 *(Continued)*

	As previously reported	Note 3(a)	Note 3(b)	Note 3(c)	Note 3(d)	Note 3(e)	As restated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
EQUITY							
Equity attributable to the equity holders of the Company							
Share capital	111,785						111,785
Share premium	771,842						771,842
Capital reserve	6,044						6,044
Capital contribution reserve	291,562						291,562
Employee compensation reserve	750						750
Exchange reserve	164,045	65,485	(16,371)	(25,054)			188,105
Retained earnings	610,143	(65,485)	16,371		(3,823)	(3,822)	553,384
	1,956,171						1,923,472
Non-controlling interests	360,579				3,823	(955)	363,447
Total equity	2,316,750						2,286,919

3. PRIOR YEAR ADJUSTMENTS *(Continued)*

(f) Summary of effects of restatements due to the prior year adjustments *(Continued)*

IV. EFFECT OF THE PRIOR YEAR ADJUSTMENTS ON THE GROUP'S CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 1 JANUARY 2011

	As previously reported	Note 3(a)	Note 3(b)	Note 3(c)	Note 3(d)	Note 3(e)	As restated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES							
Non-current assets							
Property, plant and equipment	4,138						4,138
Prepaid land lease payments	4,646						4,646
Investment properties	2,663,437						2,663,437
Goodwill	355,326						355,326
Deposits paid, prepayments and other receivables	428,660						428,660
	3,456,207						3,456,207
Current assets							
Properties under development	15,528						15,528
Trade receivables	141						141
Deposit paid, prepayments, other receivables and tax recoverable	12,234						12,234
Amount due from a non-controlling shareholder of a subsidiary	50,877						50,877
Cash and cash equivalents	100,769						100,769
	179,549						179,549
Current liabilities							
Trade payables	7,936						7,936
Other payables, accrued expenses and receipts in advance	56,937						56,937
Amount due to a related company	721						721
Bank borrowings	578,254						578,254
	643,848						643,848
Net current liabilities	(464,299)						(464,299)
Total assets less current liabilities	2,991,908						2,991,908
Non-current liabilities							
Loans from shareholders	336,321						336,321
Deferred tax liabilities	428,250			19,735		4,777	452,762
	764,571						789,083
Net assets	2,227,337						2,202,825

3. PRIOR YEAR ADJUSTMENTS *(Continued)*

(f) Summary of effects of restatements due to the prior year adjustments *(Continued)*

IV. EFFECT OF THE PRIOR YEAR ADJUSTMENTS ON THE GROUP'S CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 1 JANUARY 2011 *(Continued)*

	As previously reported HK$'000	Note 3(a) HK$'000	Note 3(b) HK$'000	Note 3(c) HK$'000	Note 3(d) HK$'000	Note 3(e) HK$'000	As restated HK$'000
EQUITY							
Equity attributable to the equity holders of the Company							
Share capital	111,785						111,785
Share premium	771,842						771,842
Capital reserve	6,044						6,044
Capital contribution reserve	291,562						291,562
Employee compensation reserve	1,818						1,818
Exchange reserve	115,382	21,634	(5,409)	(19,735)			111,872
Retained earnings	584,159	(21,634)	5,409		(3,823)	(3,822)	560,289
	1,882,592						1,855,212
Non-controlling interests	344,745				3,823	(955)	347,613
Total equity	2,227,337						2,202,825

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 2.

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss and investment properties which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interest that represent present ownership interests in the subsidiaries either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interest that represent present ownership interests in the subsidiaries is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.2 Business combination and basis of consolidation *(Continued)*

SUBSIDIARIES

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.3 Revenue recognition

Revenue comprises the fair value from the sale of goods and services, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

— Rental income from investment properties is recognised on a straight-line basis over the periods of the respective tenancies.

— Commission from concessionaire sales is recognised upon the sale of merchandise by the relevant stores.

— Building management and service fee income is recognised over the relevant period in which the services are rendered.

— Interest income is recognised on a time-proportion basis using the effective interest method.

4.4 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and the exchange gain or loss so arising are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.4 Foreign currency translation *(Continued)*

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rates at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separated in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into HK$ at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4.5 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

4.6 Goodwill

Goodwill represents the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The consideration transferred is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment (see note 4.9).

Any excess of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the consideration transferred and the amount recognised for non-controlling interests is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Investment properties

Investment properties are interests in land and buildings 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 purpose.

Investment property is initially stated at cost, including directly attributable costs, and subsequently stated at fair value as determined by external professional valuers to reflect the prevailing market conditions at the end of the reporting period. Any gain or loss resulting from either a change in the fair value or disposal of an investment property is immediately recognised in profit or loss. Rental income from investment properties is accounted for as described in note 4.3. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

4.8 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at acquisition cost less accumulated depreciation and impairment losses.

The gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method at 20% per annum (or over the lease term, if shorter).

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted, if appropriate, at each reporting date.

4.9 Impairment of non-financial assets

Goodwill, property, plant and equipment, land use rights and interests in subsidiaries are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. 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 assessment of time value of money and the risk specific to the asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.9 Impairment of non-financial assets *(Continued)*

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash generating unit). As a result, some assets are tested individually for impairment and some are tested at cash generating unit level. Goodwill in particular is allocated to those cash generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods including impairment losses recognised in an interim period. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

OPERATING LEASE CHARGES AS THE LESSEE

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4.11 Financial assets

The Group's financial assets include financial assets at fair value through profit or loss, trade and other receivables, amount due from a non-controlling shareholder of a subsidiary, pledged bank deposits and cash and cash equivalents.

The Group's financial assets are classified as loans and receivables and financial assets at fair value through profit or loss. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial assets *(Continued)*

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire, or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. 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 cost.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

These assets include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

IMPAIRMENT LOSS ON FINANCIAL ASSETS

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.11 Financial assets *(Continued)*

LOANS AND RECEIVABLES

If there is objective evidence that an impairment loss on loans and receivables 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 amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in 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 to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

For financial assets other than trade receivables that are stated at amortised cost, impairment losses are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

4.12 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense/credit in profit or loss.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Accounting for income taxes *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.13 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises the acquisition cost of land, aggregate cost of development, materials and construction, wages and other direct expenses, an appropriate proportion of overheads and borrowing cost capitalised (note 4.5).

Net realisable value is the estimated selling price in the ordinary course of business less estimated cost to completion and estimated selling expenses.

No depreciation is provided on properties under development.

Properties under development for future sale in the ordinary course of business are included in current assets. On completion, the properties are transferred to properties held for sale.

4.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand.

4.15 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit, if any) to the extent they are incremental costs directly attributable to the equity transaction.

4.16 Pension obligations and employee benefits

DEFINED CONTRIBUTION PLAN

Pensions to employees are provided through a defined contribution plan.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss 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.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Pension obligations and employee benefits *(Continued)*

DEFINED CONTRIBUTION PLAN *(Continued)*

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligation under these plans is limited to the fixed percentage contributions payable.

SHORT-TERM EMPLOYEE BENEFITS

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.17 Share-based employee compensation

SHARE OPTION SCHEME

The Group operates equity settled share-based compensation plan for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

Upon exercise of share options, the amount previously recognised in employee compensation reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are lapsed, forfeited or still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to accumulated losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Share-based employee compensation *(Continued)*

SHARE AWARD PLAN

The Group operates a share award plan which allows it to issue equity-settled share-based payments to selected employees. For the award granted to the employees, the fair value of the employee services received in exchange for the grant of the share award is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards granted. At each reporting date, the Group revises its estimates of the number of share awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The share award plan also allows the Group to issue other shares to selected employees, the fair value of the awards granted and measured as the Group's liability at the end of each reporting period, taking into account the terms and conditions on which the other shares is awarded.

All share-based compensation is recognised as an expense in profit or loss unless it qualifies for recognition as asset. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally vested.

4.18 Financial liabilities

The Group's financial liabilities include trade and other payables, loans from shareholders and a related company and bank borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 4.5).

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

Where 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 the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

PAYABLES

Payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

BORROWINGS

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.19 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

4.20 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group; or
- (vi) The entity is controlled or jointly controlled by a person identified in (a).

A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4.21 Segment reporting

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

4.22 Non-current assets held for sale and disposal group

Non-current assets and disposal groups are classified as held for sale when:

(i) they are available for immediate sale;

(ii) management is committed to a plan to sell;

(iii) it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;

(iv) an active programme to locate a buyer has been initiated;

(v) the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and

(vi) a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

(i) their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and

(ii) fair value less costs to sell.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.22 Non-current assets held for sale and disposal group *(Continued)*

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets and disposal groups (other than investment properties and deferred tax assets), are recognised at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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:

(a) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment at the reporting date.

(b) Depreciation

The Group depreciates the plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are available for use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's plant and equipment.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 4.9. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determing the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(d) Estimates of fair value of investment properties

As disclosed in note 18, the Group's investment properties were revalued at the end of each reporting period by independent professional valuers. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

(e) Deferred tax assets

The recognition of deferred tax assets requires assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. These temporary differences result in deferred tax assets are included within the statement of financial position. Deferred tax assets are measured using substantially enacted tax rates expected to apply when the temporary differences reverse. Deferred tax assets are not recognised where it is more likely than not that the asset will not be realised in the future. This evaluation requires judgements to be made including the forecast of future taxable income. Recognition therefore, involves management's judgement regarding the future financial performance of the particular legal entity in which the deferred tax assets have been recognised and interpretation of country specific tax law and the likelihood of settlement. However the actual tax assets could differ from the provision and in such event the Group would be required to make an adjustment in a subsequent period which could have a material impact on the Group's income statement.

(f) Provision of taxation

The Group is in the process to dispose certain subsidiaries in the PRC and the directors of the Group consider no significant PRC tax resulting from the disposal of those subsidiaries including the enterprise income tax, withholding tax and capital gain tax based on the Group's interpretation of prevailing tax laws and practices. Significant judgement is required in determining the amount of the provision for taxes and the timing of related taxes. Where the final outcome of these matters is different from amounts that were initially recorded, such difference will impact the tax provisions in the period in which such determination is made.

6. REVENUE

The Group's principal activities are disclosed in note 1 to these consolidated financial statements. Turnover of the Group is the revenue from these activities.

Revenue from the Group's principal activities recognised during the year is as follows:

	2012	2011
	HK$'000	HK$'000
Rental income from investment properties classified as held for sale	**47,621**	1,929
Commissions from concessionaire sale	**–**	294
Building management and service fee income	**1,072**	2,952
	48,693	5,175

7. OTHER OPERATING INCOME

	2012	2011
	HK$'000	HK$'000
Bank interest income	**212**	160
Exchange gain	**–**	3,144
Administration and other management fee income	**–**	1,258
Sundry income	**1,608**	1,044
	1,820	5,606

8. SEGMENT INFORMATION

The Group has identified its operating segment based on the regular internal financial information reported to the Group's directors for their decisions about resources allocation and review of performance. The only component in the internal reporting to the Group's directors is the Group's property investment and development business which comprises the rental income from investment properties, commissions from concessionaire sale and building management and service fee income. In addition, the customers of the Group, based on the location at which the services were provided, are from the PRC. For the year ended 31 December 2012, substantially all of the revenue is derived from a related company of the Company (note 39). For the year ended 31 December 2011, no significant revenue derived from specific external customers. Accordingly, no segment disclosures are disclosed or required to be disclosed.

No separate analysis of segment information by geographical segment is presented as the revenue and non-current assets of the Group are principally attributable to a single geographical region, which is the PRC.

9. OPERATING PROFIT

	2012 HK$'000	2011 HK$'000
Operating profit is arrived at after charging/(crediting):		
Auditor's remuneration	**500**	500
Exchange loss/(gain), net	**280**	(3,144)
Depreciation	**2,663**	1,902
Less: Depreciation capitalised in properties under development	**–**	(66)
Depreciation charged to profit or loss	**2,663**	1,836
Amortisation of prepaid land lease payments	**–**	2,987
Employee benefit expense (including directors' emoluments)	**35,736**	26,558
Less: Employee benefit expense capitalised in properties under development	**(26,180)**	(20,394)
Employee benefit expense (including directors' emolument) charged to profit or loss (Note 14)	**9,556**	6,164
Operating leases rentals	**828**	878
Gross rental income from investment properties	**(48,693)**	(5,175)
Less: Direct operating expenses arising from investment properties that generated rental income during the year	**–**	3,099
	(48,693)	(2,076)

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest charged on bank borrowings wholly repayable within five years	**45,637**	38,055
Interest charged on loan from a related company	**3,879**	3,120
Interest charged on loans from shareholders	**22,520**	17,764
Total interest	**72,036**	58,939
Less: Interests capitalised in properties under development	**(26,067)**	(19,565)
	45,969	39,374

Interests capitalised during the year are calculated by applying a capitalisation rate of 7.34% (2011: 6.24%) to expenditures on qualifying assets incurred.

11. INCOME TAX EXPENSE

No provision for Hong Kong profits tax was provided as the Group had no estimated assessable profits arising in or derived from Hong Kong for the years ended 31 December 2011 and 31 December 2012.

Taxes on income arising from subsidiaries in PRC have been calculated based on a statutory rate of 25% as determined in accordance with the relevant PRC income tax rules and regulations for the years ended 31 December 2011 and 2012.

	2012 **HK$'000**	2011 HK$'000 (Restated)
Deferred income tax — fair value gain on valuation of investment properties located in the PRC	**10,784**	21,695

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2012 **HK$'000**	2011 HK$'000 (Restated)
Profit before income tax	**16,256**	13,628
Tax at the applicable tax rates, calculated at the rates applicable to profits in the tax jurisdiction concerned	**4,472**	4,012
Tax effect of non-deductible expenses	**1,874**	3,576
Tax effect of non-taxable income	**(507)**	(97)
Tax effect of tax losses not recognised	**4,945**	14,204
Income tax expense	**10,784**	21,695

12. PROFIT/(LOSS) FOR THE YEAR

Of the consolidated profit for the year attributable to equity holders of the Company of HK$2,020,000 (2011: loss of HK$9,721,000 as restated), a loss of HK$653,000 (2011: loss of HK$28,989,000) has been dealt with in the financial statements of the Company.

13. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to the equity holders of the Company is based on the following data:

	2012 HK$'000	2011 HK$'000 (Restated)
Profit/(loss) attributable to the equity holders of the Company, used in the basic earnings per share calculations	**2,020**	(9,721)

	2012	2011
Weighted average number of ordinary shares in issue, after adjusting the effect of treasury shares held by a subsidiary	**11,178,420,355**	11,178,498,344

Diluted profit/(loss) per share for the years ended 31 December 2011 and 2012 was not presented since the exercise price of the Company's options was higher than the average market price for the years.

14. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2012 HK$'000	2011 HK$'000
Wages and salaries	**34,154**	22,445
Pension costs — defined contribution plans	**1,155**	3,942
Equity settled share-based payment expenses	**427**	171
Less: Wages and salaries and pension costs capitalised in properties under development	**(26,180)**	(20,394)
Total employee benefit expense charged to profit or loss	**9,556**	6,164
Employee benefit expense charged to profit or loss:		
Wages and salaries	**8,269**	4,645
Equity settled share-based payment expenses	**427**	171
Pension costs — defined contribution plans	**860**	1,348
	9,556	6,164

14. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

Included in staff costs are key management personnel compensation (including directors' emoluments and five highest paid individuals) and comprises the following categories:

	2012	2011
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**8,571**	8,732
Pension costs — defined contribution plans	**50**	70
	8,621	8,802

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

	2012	2011
	HK$'000	HK$'000
Fees	**317**	235
Other emoluments:		
Salaries, allowances and benefits in kind	**3,656**	1,080
Bonus	**582**	–
Pension costs — defined contribution plans	**20**	12
	4,258	1,092
	4,575	1,327

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

The emoluments paid or payable to the directors and the chief executive were as follows:

Year ended 31 December 2012

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Equity settled share-based payment expenses HK$'000	Pension costs-defined contribution plans HK$'000	Total HK$'000
Executive directors						
NG Hung Sang	–	–	–	–	–	–
NG Yuk Yeung, Paul	–	1,326	–	–	14	1,340
Richard Howard GORGES	–	–	–	–	–	–
CHEUNG Choi Ngor	–	–	–	–	–	–
NG Yuk Fung, Peter	–	–	–	–	–	–
YEUNG Kwong, Sunny (note i)	–	2,330	582	–	6	2,918
Non-Executive directors						
NG Yuk Mui, Jessica	10	–	–	–	–	10
LO Wing Yan, William	75	–	–	–	–	75
Independent non-executive directors						
CHENG Yuk Wo	75	–	–	–	–	75
PONG Scarlett Oi Lan	75	–	–	–	–	75
SO George Siu Ming	75	–	–	–	–	75
LEUNG Tony Ka Tung (note ii)	7	–	–	–	–	7
	317	3,656	582	–	20	4,575

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Year ended 31 December 2011

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Bonus HK$'000	Equity settled share-based payment expenses HK$'000	Pension costs-defined contribution plans HK$'000	Total HK$'000
Executive directors						
NG Hung Sang	–	–	–	–	–	–
NG Yuk Yeung, Paul	–	1,080	–	–	12	1,092
Richard Howard GORGES	–	–	–	–	–	–
CHEUNG Choi Ngor	–	–	–	–	–	–
NG Yuk Fung, Peter	–	–	–	–	–	–
Non-Executive directors						
NG Yuk Mui, Jessica	10	–	–	–	–	10
LO Wing Yan, William	75	–	–	–	–	75
Independent non-executive directors						
CHENG Yuk Wo	75	–	–	–	–	75
PONG Scarlett Oi Lan	75	–	–	–	–	75
SO George Siu Ming	–	–	–	–	–	–
	235	1,080	–	–	12	1,327

Note:

(i) Mr. Yeung Kwong, Sunny joined the Group on 1 August 2012 and has been appointed as an executive director on 10 December 2012. The amounts disclosed above represented his emoluments from the period of 1 August 2012 to 31 December 2012.

(ii) Dr. Leung Tony Ka Tung has been appointed as an independent non-executive director on 10 December 2012.

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

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two directors (2011: one) whose emoluments are reflected in the analysis presented above. The emoluments payable to the three individuals (2011: four individuals) during the year who were also members of senior management of the Group are as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries, allowances and benefits in kind	**4,333**	6,752
Pension costs — defined contribution plans	**30**	46
	4,363	6,798

Their emoluments fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	2
	3	4

During the year, no amount was paid by the Group to the directors or the three (2011: four) highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

16. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Leasehold improvement HK$'000	Furniture and office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
At 1 January 2011				
Cost	200	4,234	828	5,262
Accumulated depreciation	(184)	(732)	(208)	(1,124)
Net book amount	16	3,502	620	4,138
Year ended 31 December 2011				
Opening net book amount	16	3,502	620	4,138
Additions	2,791	426	960	4,177
Disposal of subsidiaries				
— Cost	(7)	(239)	(207)	(453)
— Accumulated depreciation	1	21	20	42
Depreciation	(512)	(1,185)	(205)	(1,902)
Exchange alignment	63	112	40	215
Closing net book amount	2,352	2,637	1,228	6,217
At 31 December 2011 and 1 January 2012				
Cost	3,069	4,596	1,634	9,299
Accumulated depreciation	(717)	(1,959)	(406)	(3,082)
Net book amount	2,352	2,637	1,228	6,217
Year ended 31 December 2012				
Opening net book amount	2,352	2,637	1,228	6,217
Additions	493	186	–	679
Assets classified as held for sale (note 27)				
— Cost	(2,371)	(4,190)	(275)	(6,836)
— Accumulated depreciation	1,113	3,007	225	4,345
Depreciation	(1,142)	(1,221)	(300)	(2,663)
Exchange alignment	1	2	1	4
Closing net book amount	446	421	879	1,746
At 31 December 2012				
Cost	1,192	594	1,360	3,146
Accumulated depreciation	(746)	(173)	(481)	(1,400)
Net book amount	446	421	879	1,746

17. PREPAID LAND LEASE PAYMENTS

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	–	4,646
Additions	–	25,735
Disposal of subsidiaries		
— Cost	–	(32,022)
— Accumulated amortisation	–	4,611
Amortisation	–	(2,987)
Exchange alignment	–	17
Balance at end of the year	–	–

The leasehold lands were held under medium term leases and were situated in the PRC.

18. INVESTMENT PROPERTIES

	2012 HK$'000	2011 HK$'000 (Restated)
Balance at beginning of the year	**2,975,087**	2,663,437
Additions	–	110,955
Increase in fair value	**43,135**	86,779
Transfer to assets classified as held for sale (note 27)	**(3,019,473)**	–
Exchange alignment	**1,251**	113,916
Balance at end of the year	–	2,975,087

The fair value of the Group's investment properties as at 31 December 2011 and 2012 was arrived at on the basis of a valuation carried out at that date by BMI Appraisals Limited, an independent qualified professional valuer not connected to the Group. BMI Appraisals Limited is a member of the Hong Kong Institute of Valuers, and has appropriate qualifications and recent experience in the valuation of properties in the relevant location. The valuation was arrived at using the comparison approach assuming sale with the benefit of vacant possession and by making reference to comparable sales evidences in the relevant market. The revaluation gain is recognised in profit or loss for the year.

As at 31 December 2012 and 2011, the Group's investment properties are pledged to secure certain banking facilities granted to the Group (note 30).

19. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

COMPANY

	2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	–	–

	2012 HK$'000	2011 HK$'000
Amounts due from subsidiaries	1,779,765	1,620,869
Amounts due to subsidiaries	346,612	203,101

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

Particulars of the Company's principal subsidiaries at 31 December 2012 are as follows:

Name of subsidiary	Place of incorporation and kind of legal entity	Nominal value of issued and fully paid up capital/ registered capital	Directly	Indirectly	Principal activities and place of operation
Crystal Hub Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	–	Investment holding, Hong Kong
Ever Talent Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	–	100%	Investment holding, Hong Kong
遼寧長盛置業有限公司 (previously known as 遼寧大發房地產有限責任公司)	The PRC, limited liability company	RMB297,611,475	–	80%	Property development, The PRC
瀋陽利鴻大發商業有限公司	The PRC, limited liability company	RMB5,000,000	–	80%	Property management, The PRC
瀋陽南華鴻基房地產開發有限公司	The PRC, limited liability company	US$100,489,978	–	100%	Property development, The PRC
瀋陽南華鴻泰房地產開發有限公司	The PRC, limited liability company	US$49,725,965	–	100%	Property development, The PRC
Praise Rich Limited	British Virgin Islands, limited liability company	100 ordinary share of US$1 each	–	100%	Investment holding, Hong Kong
滄州南華房地產開發有限公司	The PRC, limited liability company	HK$10,000,000	–	100%	Property development, The PRC
Grandbase Universal Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Investment holding, Hong Kong
Grandland Management Limited	Hong Kong, limited liability company	2 ordinary shares of HK$1 each	–	100%	Provision of management services for the Group, Hong Kong

19. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES *(Continued)*

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

During the year ended 31 December 2012, the Group deregistered a dormant PRC subsidiary and result in a gain of approximately HK$104,000 included in other operating income due to the exchange alignment. The subsidiary deregistered during the year did not contribute significantly to the results and cash flows of the Group during the period prior to the deregistration, and the net cash flow arising on deregistration is zero.

20. GOODWILL

GROUP

The net carrying amount of goodwill can be analysed as follow:

	2012	2011
	HK$'000	HK$'000
At 1 January and 31 December		
Gross and net carrying amount	**355,326**	355,326

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating units of property investment and development.

The recoverable amount for the cash generating units was determined based on the value-in-use calculations, covering a detailed five-year budget plan which represents the business cycle and strategy plan of the Group's property investment and development segment.

The key assumption used for value-in-use calculations are discount rate of 7% (2011: 7%) per annum. The key assumption has been determined based on past performance and expectations for the market development after taking into consideration published market forecast and research. The discount rate used is pre-tax rate and reflects specific risks relating to the relevant segment.

Apart from the considerations described in determining the value-in-use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates. However, the key estimates are particularly sensitive to the market development.

21. DEPOSIT PAID, PREPAYMENTS AND OTHER RECEIVABLES

GROUP

	2012 HK$'000	2011 HK$'000
Deposit paid for land use rights in the PRC	630,629	630,364
Prepayments	7,587	10,853
Other receivables	20,146	14,127
	658,362	655,344

Other receivables of the Group were neither past due nor impaired, and their carrying amounts approximate to their fair values.

22. PROPERTIES UNDER DEVELOPMENT

GROUP

	2012 HK$'000	2011 HK$'000
Leasehold interests in land located in the PRC, at cost	3,401	3,400
Development costs and other direct attributable expenses capitalised	143,530	71,522
	146,931	74,922

	2012 HK$'000	2011 HK$'000
Balance at beginning of the year	74,922	15,528
Additions	45,715	38,735
Interest capitalised	26,067	19,565
Effect of foreign currency exchange differences	227	1,094
Balance at end of the year	146,931	74,922

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss as at 31 December 2012 represented the listed equity securities. Fair value of the listed equity securities has been determinated by reference to their quoted bid prices at the reporting date in an active market.

24. TRADE RECEIVABLES

GROUP

	2012 **HK$'000**	2011 HK$'000
Trade receivables — net	–	95

The Group allows a credit period from 30 days to its trade customers. The following is the ageing analysis, based on invoice date, of net trade receivables at the reporting date:

	2012 **HK$'000**	2011 HK$'000
Within 30 days	–	95
Trade receivables — net	–	95

The carrying amount of the trade receivables is considered a reasonable approximation of fair value as this financial asset, which is measured at amortised cost, is expected to be paid within a short timescale, such that the time value of money impact is not significant.

At each reporting date, the Group's trade receivables are individually determined to be impaired. The individually impaired receivables, if any, are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision is recognised if the amount is determined to be irrecoverable. The impairment provision will be written off against the trade receivables directly. The Group does not hold any collateral over these balances.

Trade receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default.

None of the trade receivables were past due as at 31 December 2012 and 2011.

25. BALANCES WITH A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY AND A RELATED COMPANY

GROUP

Balances with a non-controlling shareholder of a subsidiary and a related company are unsecured, interest free and repayable on demand.

26. CASH AND CASH EQUIVALENTS

GROUP

As at 31 December 2012, the Group had cash and cash equivalents, excluding the assets classified as held for sale, denominated in RMB of approximately HK$50,387,030 (2011:HK$14,386,000) deposited with the banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

27. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Pursuant to the sales and purchase agreement dated 4 July 2012 entered into between Crystal Hub Limited, an indirect wholly-owned subsidiary of the Company, and Even Dragon Limited, an indirect wholly-owned subsidiary of South China (China) Limited and a related company of the Group, Crystal Hub Limited had agreed to sell and Even Dragon Limited had agreed to purchase the entire equity interests in Splendor Sheen Limited, a wholly owned subsidiary of the Company for a consideration of approximately HK$1,589 million (as adjusted pursuant to the sales and purchase agreement) subject to terms and conditions of the sale and purchase agreement and the relevant supplemental agreement dated 25 September 2012 (the "Transaction"). Please refer to the Company's announcement and circular issued on 12 July 2012 and 19 October 2012 respectively for further details. The Transaction for the disposal of Splendor Sheen Limited and its subsidiaries (the "Disposal Group") was completed on 16 January 2013. The following major classes of assets and liabilities relating to the Transaction have been classified as held for sale as at 31 December 2012.

	2012 HK$'000
Assets	
Property, plant and equipment	**2,491**
Investment properties	**3,019,473**
Amount due from a non-controlling shareholder of a subsidiary	**34,819**
Prepayments and other receivables	**11,506**
Cash and cash equivalents	**1,963**
Assets classified as held for sale	**3, 070,252**
Liabilities	
Trade payables	**44,384**
Other payables, accrued expenses and receipts in advance	**7,827**
Bank borrowings	**581,070**
Deferred tax liabilities	**504,471**
Liabilities classified as held for sale	**1,137,752**
Net assets directly associated with the Disposal Group * (excluding non-controlling interests)	**1,932,500**
Cumulative other comprehensive income relating to Disposal Group classified as held for sale	**109,976**

* The net assets directly associated with the Disposal Group included the amount of inter-company balance of HK$470,765,000, which was due from the Disposal Group to the Group as at 31 December 2012.

28. TRADE PAYABLES

GROUP

The followings are the ageing analysis of trade payables at the reporting date:

	2012 HK$'000	2011 HK$'000
Within 30 days	205	56,002
31 – 60 days	–	216
61 – 90 days	–	–
91 – 180 days	–	1,703
Over 180 days	1,871	21,480
	2,076	79,401

29. OTHER PAYABLES, ACCRUED EXPENSES AND RECEIPTS IN ADVANCE

GROUP

	2012 HK$'000	2011 HK$'000
Other payables	4,056	116,761
Accrued expenses	59,434	32,665
Receipts in advance	462,277	32,158
	525,767	181,584

COMPANY

	2012 HK$'000	2011 HK$'000
Other payables	272	89
Accrued expenses	44,635	28,105
	44,907	28,194

30. BANK BORROWINGS

GROUP

	2012 HK$'000	2011 HK$'000
Bank loans — secured		
Bank loans repayable:		
— Within one year	**30,811**	12,319
— In the second to fifth years, inclusive	**550,259**	580,813
	581,070	593,132
Less: Portion classified as current liabilities	**–**	(12,319)
Transfer to liabilities classified as held for sale (note 27)	**(581,070)**	–
Non-current portion	**–**	580,813

At 31 December 2011 and 2012, the bank borrowings are denominated in HK$ and RMB, repayable within five years and bear interest at floating rates with reference to Hong Kong Interbank Offering Rate and the benchmark inter-bank interest rate of the PRC, ranging from 4.24% to 8.63% per annum, and were secured by the pledge of the investment properties (note 18) and pledged bank deposits of a fellow subsidiary of approximately HK$10,853,000 as at 31 December 2012 and HK$32,001,000 as at 31 December 2011.

As at 31 December 2011 and 2012, the above banking facilities were guaranteed by the Company. In addition, as at 31 December 2011, a shareholder of the Company had provided personal guarantee for the above bank facilities.

The directors of the Company consider that the fair values of the bank borrowings are not materially different from their carrying amounts.

31. LOANS FROM SHAREHOLDERS AND A RELATED COMPANY

GROUP AND COMPANY

Loans from shareholders are unsecured and bear interest at floating rates with reference to prime lending rate as established from time to time by The Hong Kong and Shanghai Bank Corporation Limited and Chong Hing Bank Limited, ranging from 5% to 7.25%, except for the loans from shareholders amounted to HK$7,000,000 which is interest free.

No repayment on the loans from shareholders is required whether in part or in full on or before 31 December 2013 except for the loans from shareholders amounted to HK$150,000,000 which is repayable no later than 31 January 2013. The directors of the Company consider that the fair values of the loans are not materially different from their carrying amounts as at 31 December 2011 and 2012.

31. LOANS FROM SHAREHOLDERS AND A RELATED COMPANY *(Continued)*

GROUP

Loan from a related company is unsecured, interest-bearing at the prime lending rate as established from time to time by The Hong Kong and Shanghai Bank Corporation Limited.

As at 31 December 2011, no repayment on the loan from a related company is required whether in part or in full on or before 31 December 2012 and the loan is classified as non-current liability. As at 31 December 2012, the current liabilities include the loan from a related company that is not scheduled to repay within one year, it is current liability as the related loan agreement contains a clause that provides the lender and the borrower with an unconditional right to demand repayable at any time. The directors of the Company consider that the fair value of the loan is not materially different from its carrying amount as at 31 December 2011 and 2012.

32. DEFERRED TAX LIABILITIES

GROUP

Deferred taxation is provided for in full on temporary differences under the liability method using a principal taxation rate of 25.0% (2011: 25.0%).

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current and previous financial years.

	Revaluation of investment properties HK$'000
At 1 January 2011 (Restated)	452,762
Recognised in profit or loss	21,695
Exchange alignment	19,022
At 31 December 2011 (Restated) and 1 January 2012	493,479
Recognised in profit or loss	10,784
Transfer to liabilities classified as held for sale (note 27)	(504,471)
Exchange alignment	208
At 31 December 2012	**–**

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2012, the Group has estimated unused tax losses of approximately HK$215,099,000 (2011: HK$128,313,000) which were available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams. The amount of estimated tax losses that have no expiry date is approximately HK$44,628,000 (2011: HK$35,719,000) and the remaining tax losses of approximately HK$170,471,000 (2011: HK$92,594,000) are subject to expiry period of five years.

No deferred tax liabilities have been recorded on temporary differences relating to the undistributed earnings of the Company's subsidiaries in the PRC because there are no undistributed earnings earned by the Company's subsidiaries in the PRC after 1 January 2008.

33. SHARE CAPITAL

GROUP AND COMPANY

	2012 Number of shares	2012 HK$'000	2011 Number of shares	2011 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At beginning and end of the year	**100,000,000,000**	**1,000,000**	100,000,000,000	1,000,000
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning and end of the year	**11,178,498,344**	**111,785**	11,178,498,344	111,785

During the year ended 31 December 2012, a subsidiary of the Company acquired 7,136,000 number of the Company's shares in the open market with a value of HK$845,754. The relevant shares are available for resale and have been included in the treasury shares of the Company, shown as a component of the reserves of the Company.

34. SHARE-BASED EMPLOYEE COMPENSATION

(i) The 2012 Share Option Scheme

The Company adopted a share option scheme on 24 June 2002 (the "2002 Share Option Scheme") which became effective on 18 July 2002. On 8 May 2012, the 2002 Share Option Scheme was terminated and a new share option scheme was approved by shareholders of the Company and became effective on 8 May 2012 (the "2012 Share Option Scheme").

Particulars of the 2012 Share Option Scheme as required under the GEM Listing Rules are set out below:

(A) SUMMARY OF THE 2012 SHARE OPTION SCHEME

(i) Purpose of the 2012 Share Option Scheme

The purpose of the 2012 Share Option Scheme is to provide incentives or rewards to the Employees (as defined in sub-section headed "Participants of the 2012 Share Option Scheme" below) and other person(s) for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any entity in which any member of the Group holds any equity interest.

34. SHARE-BASED EMPLOYEE COMPENSATION

(i) The 2012 Share Option Scheme *(Continued)*

(A) SUMMARY OF THE 2012 SHARE OPTION SCHEME *(Continued)*

(ii) Participants of the 2012 Share Option Scheme

The board of directors of the Company (the "Board") 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 the Group (the "Employees"), business partner, agent, consultant, contractor, representative of any member of the Group, invested entity, client or supplier , advisor, any other group or classes of participants and shareholder who have contributed to the Group (collectively the "Participants"), to subscribe for shares of HK$0.01 each in the share capital of the Company ("Shares") in accordance with the provisions of the 2012 Share Option Scheme.

(iii) Total number of Shares available for issue under the 2012 Share Option Scheme

The total number of Shares available for issue under the share options, which may be granted under the 2012 Share Option Scheme shall not exceed 1,117,849,834 Shares, being 10% of the total number of Shares in issue as at the date of passing of the resolutions to adopt the 2012 Share Option Scheme by shareholders (as defined under the 2012 Share Option Scheme).

(iv) Maximum entitlement of each participant

No Participant shall be granted an option if total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12 month period up and including to the date of grant to such Participant would exceed in aggregate 0.1% of the Shares for the time being in issue and having an aggregate value in excess of HK$5 million, unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

(v) Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the 2012 Share Option Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

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

At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

34. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(i) The 2012 Share Option Scheme *(Continued)*

(A) SUMMARY OF THE 2012 SHARE OPTION SCHEME *(Continued)*

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

HK$1.00 shall be paid within 28 days from the date of offer of the option.

(viii) Basis of determining the exercise price of the option

The exercise price for Shares under the 2012 Share Option Scheme shall be a price determined by the Board, but in any case will not be less than the highest of:

(1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

(2) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

(3) the nominal value of a Share.

(ix) Remaining life of the 2012 Share Option Scheme

Subject to early termination of the 2012 Share Option Scheme pursuant to the terms thereof, the 2012 Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which the 2012 Share Option Scheme becomes effective, i.e. 8 May 2012 and ending on 7 May 2022.

The Company did not grant any share options under the 2012 Share Option Scheme during the year ended 31 December 2012.

(ii) The 2002 Share Option Scheme

Particulars of the 2002 Share Option Scheme as required under the GEM Listing Rules are set out below:

(A) SUMMARY OF THE 2002 SHARE OPTION SCHEME

(i) Purpose of the 2002 Share Option Scheme

The purpose of the 2002 Share Option Scheme is to recognise and motivate the contribution of the Employees (as defined in sub-section headed "Participants of the 2002 Share Option Scheme" below) and other person(s) who may make a contribution to the Group and to provide incentives and help the Company in retaining its existing Employees and recruiting additional Employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

34. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(ii) The 2002 Share Option Scheme *(Continued)*

(A) SUMMARY OF THE 2002 SHARE OPTION SCHEME *(Continued)*

(ii) Participants of the 2002 Share Option Scheme

The Board or a duly authorised committee thereof, may, at its discretion, grant options to the Employees, adviser, consultant, contractor, client or supplier who have contributed to the Group (collectively the "previous Participants"), to subscribe for shares of HK$0.01 each in Shares in accordance with the provisions of the 2002 Share Option Scheme.

(iii) Total number of Shares available for issue under the 2002 Share Option Scheme

The total number of Shares available for issue under the share options, which may be granted under the 2002 Share Option Scheme shall not exceed 1,117,849,834 Shares, being 10% of the total number of Shares in issue.

(iv) Maximum entitlement of each participant

No previous Participant shall be granted an option if total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 month period up to the date of grant to such previous 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 general meeting with the proposed grantee and his associates (as defined in the GEM Listing Rules) abstaining from voting.

(v) Period within which the Shares must be taken up under an option

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the Board may provide restrictions on the exercise of an option during the period an option may be exercised.

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

At the time of granting an option, the Board may, at its discretion, specify the minimum period(s), if any, for which an option must be held before it can be exercised.

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

HK$1.00 shall be paid within 5 business days from the date of offer of the option.

34. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(ii) The 2002 Share Option Scheme *(Continued)*

(A) SUMMARY OF THE 2002 SHARE OPTION SCHEME *(Continued)*

(viii) Basis of determining the exercise price of the option

The exercise price for Shares under the 2002 Share Option Scheme shall be a price determined by the Board, but in any case will not be less than the highest of:

(1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading day;

(2) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer; or

(3) the nominal value of a Share.

(ix) Remaining life of the 2002 Share Option Scheme

Subject to early termination of the 2002 Share Option Scheme pursuant to the terms thereof, the 2002 Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date on which the 2002 Share Option Scheme becomes effective, i.e. 18 July 2002 and ending on 17 July 2012.

During the years ended 31 December 2012 and 2011, no share option was granted under the 2002 Share Option Scheme.

34. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(ii) The 2002 Share Option Scheme *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING

Particulars and movements of the outstanding share options granted under the 2002 Share Option Scheme during the years ended 31 December 2011 and 2012 were as follows:

	2012 Number of share options								Price of shares		
Name and category of participant	Balance as at 01/01/2012	Granted during the year	Exercise during the year	Lapsed during the year	Cancelled during the year	Balance as at 31/12/2012	Date of grant of share option (Note i)	Exercisable Periods of share options	Exercise price per share option HK$	Immediately preceding the grant date of share option (Note ii) HK$	Immediately preceding the exercise date of share option (Note iii) HK$
Directors											
Ng Yuk Yeung Paul	1,666,666	–	–	(1,666,666)	–	–	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A
Ng Yuk Fung Peter	1,666,666	–	–	(1,666,666)	–	–	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A
Sub-total	3,333,332	–	–	(3,333,332)	–	–					
Others											
In aggregate	333,334	–	–	(333,334)	–	–	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A
	1,000,000	–	–	(1,000,000)	–	–	02/04/2007	02/04/2008 to 01/04/2012	0.3150	0.20	N/A
Sub-total	1,333,334	–	–	(1,333,334)	–	–					
Total	4,666,666	–	–	(4,666,666)	–	–					

34. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(ii) The 2002 Share Option Scheme *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING *(Continued)*

	2011 Number of share options								Price of shares		
Name and category of participant	Balance as at 01/01/2011	Granted during the year	Exercise during the year	Lapsed during the year	Cancelled during the year	Balance as at 31/12/2011	Date of grant of share option (Note i)	Exercisable Periods of share options	Exercise price per share option HK$	Immediately preceding the grant date of share option (Note ii) HK$	Immediately preceding the exercise date of share option (Note iii) HK$
Directors											
Ng Yuk Yeung Paul	3,333,333	–	–	(1,666,667)	–	1,666,666	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A
Ng Yuk Fung Peter	3,333,333	–	–	(1,666,667)	–	1,666,666	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A
Sub-total	6,666,666	–	–	(3,333,334)	–	3,333,332					
Others											
In aggregate	333,334	–	–	–	–	333,334	14/03/2007	14/03/2008 to 13/03/2012	0.2166	0.20	N/A
	2,000,000	–	–	(1,000,000)	–	1,000,000	02/04/2007	02/04/2008 to 01/04/2012	0.3150	0.20	N/A
	666,666	–	–	(666,666)	–	–	10/05/2007	10/05/2008 to 09/05/2012	0.3100	0.20	N/A
Sub-total	3,000,000	–	–	(1,666,666)	–	1,333,334					
Total	9,666,666	–	–	(5,000,000)	–	4,666,666					

Notes:

(i) All share options granted are subject to a vesting period and becoming exercisable in whole or in part in the following manner:

From the date of grant of share options	**Exercisable percentage**
Within 12 months	Nil
13th – 36th months	33 1/3%
25th – 48th months	33 1/3%
37th – 60th months	33 1/3%

(ii) The price of the shares disclosed as immediately preceding the date of grant of the share options is the Stock Exchange's closing price on the trading day immediately prior to the date of the grant of the share options.

34. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(ii) The 2002 Share Option Scheme *(Continued)*

(B) DETAILS OF SHARE OPTIONS GRANTED OR OUTSTANDING *(Continued)*

(iii) The weight average closing price of the shares immediately before the date on which the options are exercised.

(iv) The fair values of share options granted under the 2002 Share Option Scheme on 14 March 2007, 2 April 2007 and 10 May 2007 and measured at the respective dates of grant were approximately HK$2,199,999, HK$945,000 and HK$619,999 respectively. The following significant assumptions were used to derive the fair values, using the Black-Scholes option pricing model:

Date of grant	**14 March 2007**	**2 April 2007**	**10 May 2007**
Expected volatility	457%	461%	474%
Expected life (in years)	5.0	5.0	5.0
Risk free interest rate	4.2%	4.2%	4.2%
Expected dividend yield	Nil	Nil	Nil

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

(v) For the year ended 31 December 2012, no employee compensation expense has been recognised in profit or loss (2011: Nil) with a corresponding credit in employee compensation reserve. No liabilities were recognised due to share-based payment transactions.

(vi) Share options and weighted average exercise prices are as follows for the reporting period presented:

	2012		2011	
	Number	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
Balance at 1 January	**4,666,666**	**0.227**	9,666,666	0.238
Lapsed	**(4,666,666)**	**0.227**	(5,000,000)	0.249
Balance at 31 December	**–**	**–**	4,666,666	0.227

The options outstanding at 31 December 2011 had exercise prices of HK$0.2166 to HK$0.3150 and a weighted average remaining contractual life of 1 year. There are no options outstanding at 31 December 2012.

(iii) Share Award Scheme

A share award scheme (the "Share Award Scheme") was adopted by the Board of the Company on 18 March 2011 (the "Adoption Date"). The specific objectives of the Share Award Scheme are to recognise the contributions by certain employees of the Group and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for the development of the Group.

The Board may, from time to time, at its sole discretion select any employee (the "Selected Employee") of any member of the Group for participation in the Share Award Scheme and determine the number of awarded shares to be awarded to the Selected Employees by taking into consideration matters including the general financial condition of the Group and the rank and performance of the relevant Selected Employee.

34. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(iii) Share Award Scheme *(Continued)*

The Company shall settle a sum of up to and not exceeding HK$20,000,000 within one year from the Adoption Date for the purpose of purchase of such number of shares and/or other shares (as the case maybe) to be awarded by the Board to the Selected Employee(s) under the Share Award Scheme.

The Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date provided that no further settlement of the amount to the Trust Fund shall be made on or after 10th anniversary date of the Adoption Date.

Details of the Share Award Scheme are set out in the Company's announcement dated 18 March 2011.

In accordance with the Share Award Scheme, the Awards shall be released subject to the vesting periods ranged from 18 months to 33 months from the date of grant of the awards.

The fair value of the share awards granted under the Share Award Scheme during the year is approximately HK$502,000 (2011: HK$1,365,000) and measured at the respective dates of grant. Fair value of an award at the grant date is determinate by reference to the market price immediately available before the grant date. The share-based payment expenses for the Company's shares and other shares as recognised in profit or loss according to the vesting periods are approximately HK$184,000 and HK$243,000 (2011: 82,000 and HK$89,000) respectively for the year ended 31 December 2012. No share was released under the Share Award Scheme for the year ended 31 December 2012 (2011: Nil).

Awards granted of the Company's shares during the year ended 31 December 2012 are as follows:

Name or category of participant	Date of grant	Balance as at 01/01/2012	Number of awarded shares granted during the year	Number of awarded shares forfeited during the year	Balance as at 31/12/2012
Employees in aggregate	12/4/2011	736,000	–	(736,000)	–
	19/7/2011	752,000	–	–	752,000
	8/10/2011	1,504,000	–	–	1,504,000
	28/11/2011	1,504,000	–	(1,504,000)	–
	30/3/2012	–	3,000,000	–	3,000,000
Total		4,496,000	3,000,000	(2,240,000)	5,256,000

34. SHARE-BASED EMPLOYEE COMPENSATION *(Continued)*

(iii) Share Award Scheme *(Continued)*

Awards granted of the other shares during the year ended 31 December 2012 are as follows:

Name or category of participant	Date of grant	Balance as at 01/01/2012	Number of awarded shares granted during the year	Number of awarded shares forfeited during the year	Balance as at 31/12/2012
Employees in aggregate	12/4/2011	216,000	–	(216,000)	–
	19/7/2011	232,000	–	–	232,000
	8/10/2011	464,000	–	–	464,000
	28/11/2011	464,000	–	(464,000)	–
	30/3/2012	–	520,000	–	520,000
Total		1,376,000	520,000	(680,000)	1,216,000

Awards granted of the Company's shares during the year ended 31 December 2011 are as follows:

Name or category of participant	Date of grant	Balance as at 01/01/2011	Number of awarded shares granted during the year	Number of awarded shares forfeited during the year	Balance as at 31/12/2011
Employees in aggregate	11/4/2011	–	736,000	(736,000)	–
	12/4/2011	–	736,000	–	736,000
	19/7/2011	–	1,488,000	(736,000)	752,000
	8/10/2011	–	1,504,000	–	1,504,000
	28/11/2011	–	1,504,000	–	1,504,000
Total		–	5,968,000	(1,472,000)	4,496,000*

* 1,504,000 awarded shares were not included in last year

Awards granted of the other shares during the year ended 31 December 2011 are as follows:

Name or category of participant	Date of grant	Balance as at 01/01/2011	Number of awarded shares granted during the year	Number of awarded shares forfeited during the year	Balance as at 31/12/2011
Employees in aggregate	11/4/2011	–	216,000	(216,000)	–
	12/4/2011	–	216,000	–	216,000
	19/7/2011	–	448,000	(216,000)	232,000
	8/10/2011	–	464,000	–	464,000
	28/11/2011	–	464,000	–	464,000
Total		–	1,808,000	(432,000)	1,376,000*

* 464,000 awarded shares were not included in last year

35. RESERVES

GROUP

The amount of the Group's reserves and the movements therein for the current and previous years are presented in the consolidated statement of changes in equity on page 34.

COMPANY

	Share premium HK$	Treasury shares HK$	Capital reserve HK$	Capital contribution reserve HK$	Employee compensation reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2011	771,842	–	652	291,562	1,818	(95,830)	970,044
Lapse of share options	–	–	–	–	(1,150)	1,150	–
Recognition of equity settle share-based compensation	–	–	–	–	82	–	82
Loss for the year	–	–	–	–	–	(28,989)	(28,989)
At 31 December 2011 and 1 January 2012	771,842	–	652	291,562	750	(123,669)	941,137
Purchase of share for share award scheme	–	(846)	–	–	–	–	(846)
Lapse of share options	–	–	–	–	(668)	668	–
Forfeit of share awards	–	–	–	–	(60)	60	–
Recognition of equity settle share-based compensation	–	–	–	–	184	–	184
Loss for the year	–	–	–	–	–	(653)	(653)
At 31 December 2012	771,842	(846)	652	291,562	206	(123,594)	939,822

The Company's reserves available for distribution represent the share premium, capital reserve, capital contribution reserve, employee compensation reserve and accumulated losses. 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 of 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 2012 amounted to approximately HK$940,668,000 (2011: HK$941,137,000).

GROUP AND COMPANY

TREASURY SHARES

	2012 Number of shares	**2012** HK$'000	2011 Number of shares	2011 HK$'000
Balance brought forward	**–**	**–**	–	–
Acquired during the year	**7,136,000**	**846**	–	–
Balance carried forward	**7,136,000**	**846**	–	–

35. RESERVES *(Continued)*

GROUP AND COMPANY *(Continued)*

TREASURY SHARES *(Continued)*

The Company acquired its own shares through one of its subsidiaries in the open market which are held as treasury shares, and will be used to satisfy the equity settled share-based compensations granted under the Share Award Scheme (note 34(iii)); the relevant shares are available for resale and have been included in treasury shares, shown as a component of the reserves of the Company.

36. OPERATING LEASE COMMITMENTS

GROUP

(A) AS LESSOR

For the year ended 31 December 2011, the Group leases its investment properties under operating lease arrangements with leases negotiated for terms ranging from 1 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions.

For the year ended 31 December 2012, pursuant to the agreement signed between the Group and a related company, the Group leased its investment properties under operating lease agreement for a term of 1 year which is renewable annually until 31 December 2026. During the year ended 31 December 2012, the agreement has been terminated during the year pursuant to the termination deed for the intention of the disposal of the Disposal Group to the related company.

As at the reporting dates, there is no future minimum lease receivable under non-cancellable operating leases with its tenants falling due.

(B) AS LESSEE

At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases payable by the Group excluding the Disposal Group are as follows:

	2012 HK$'000	2011 HK$'000
Within one year	**1,983**	701
In the second to fifth years, inclusive	**2,105**	179
	4,088	880

COMPANY

At 31 December 2012, the Company does not have any significant operating lease commitments (2011: Nil).

37. CAPITAL COMMITMENTS

GROUP

	2012 HK$'000	2011 HK$'000
Contracted but not provided for excluding the Disposal Group:		
— Expenditure in respect of properties under development	**73,186**	1,725
— Expenditure in respect of leasehold interest in land	**1,567,358**	1,566,699
— Investment in equity interest	**168,705**	130,483
	1,809,249	1,698,907

Payment in respect of leasehold interest in land is dependent on the progress of reallocation of existing tenants and abolishment work. Based on the current status, the Directors expect no significant payments will be made in 2013.

COMPANY

As at 31 December 2012, the Company does not have any significant capital commitments (2011: Nil).

38. CONTINGENT LIABILITIES

GROUP AND COMPANY

As at 31 December 2012, the Group and the Company do not have any significant contingent liabilities (2011: Nil).

39. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, during the year, the Group had significant related party transactions as follows.:

(a) Details of these transactions are as follows:

	2012 HK$'000	2011 HK$'000
(i) Entrusted management fee income from investment properties received from a related company	**47,542**	–
(ii) Interest expenses paid to shareholders	**22,520**	17,764
(iii) Interest expenses paid to a related company	**3,879**	3,120

(b) Details of the balances with related parties at the reporting date are included in notes 19, 25 and 31 to the financial statements.

The above transactions were conducted in accordance with the terms mutually agreed between the Group and the related companies controlled by the directors.

40. DISPOSAL OF SUBSIDIARIES

(a) Pursuant to the share purchase agreement dated 11 January 2011 entered between Crystal Hub Limited, a subsidiary of the Company and South China Industries (BVI) Limited, an indirectly wholly-owned subsidiary of South China (China) Limited and a related company of the Group, Crystal Hub Limited had agreed to sell its equity interests in shares of Autowill Limited together with its subsidiaries (the "Autowill Group") and the shareholder's loan to South China Industries (BVI) Limited for a consideration of HK$24.1 million subject to adjustment in accordance with the terms of the agreement. The final consideration as agreed between both parties was approximately HK$20.9 million. Please refer to the Company's announcement made on 11 January 2011 for further details. The transaction was completed on 31 March 2011.

(b) Pursuant to the share purchase agreement dated 28 October 2011 entered between Crystal Hub Limited and South China Strategic (BVI) Limited, an indirectly wholly-owned subsidiary of South China (China) Limited and a related company of the Group, Crystal Hub Limited had agreed to sell its entirely interest in shares of Surplus Access International Limited together with its subsidiaries (the "Surplus Access Group") and the shareholder's loan to South China Strategic (BVI) Limited at a consideration of HK$6.3 million, upon and subject to the terms and conditions set out therein. Please refer to the Company's announcement made on 28 October 2011 for details. The transaction was completed on 31 October 2011.

The net assets of Autowill Group and Surplus Access Group at the disposal dates during the year ended 31 December 2011 were as follow:

	Autowill Group	**Surplus Access Group**	**Total**
	HK$'000	HK$'000	HK$'000
Property, plant and equipment	411	–	411
Prepaid land lease payments	27,411	–	27,411
Inventories	73	–	73
Deposit paid, prepayments and other receivables	1,542	–	1,542
Cash and bank balances	8,031	6,332	14,363
Other payables and accrued expenses	(5,344)	–	(5,344)
Amount due to ultimate holding company	(36,800)	(6,000)	(42,800)
Total consideration	(4,676)	332	(4,344)
Satisfied by:			
Cash	20,976	6,332	27,308
Purchase of shareholders' loans	(25,652)	(6,000)	(31,652)
	(4,676)	332	(4,344)
Net cash inflow arising on disposal:			
Cash consideration	20,976	6,332	27,308
Cash and bank balances disposed of	(8,031)	(6,332)	(14,363)
	12,945	–	12,945

41. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the Group's management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk, credit risk and liquidity risk. The Group's exposure to these risks is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group's financial assets include financial assets at fair value through profit or loss, trade and other receivables, amount due from a non-controlling shareholder of a subsidiary, pledged bank deposits and cash and cash equivalents. The Group's financial liabilities include trade and other payables, bank borrowings, amounts due to a related company, loans from shareholders and a related company.

(a) Foreign currency risk

The assets and liabilities of the Group are mostly denominated in RMB and HK$. The Group has no significant foreign currency risk due to its limited foreign currency trade related transactions and the limited fluctuation of the RMB and HK$ at the reporting dates.

(b) Interest rate risk

As the Group has no significant interest-bearing assets other than cash and bank balances, the income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from bank borrowings, loans from shareholders and a related company. These borrowings carry at variable rates expose the Group to cash flow interest rate risk.

The Group's objective is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements.

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

GROUP

	Increase/ decrease in interest rate	Effect on profit/(loss) before income tax and retained earnings
	%	HK$'000
2012	**+/-0.5**	**1,941**
2011	+/-0.5	(2,902)

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Credit risk

The Group continuously monitors the recoverability of amounts due from customers and other counterparties, assess impairment of the trade receivable either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties.

The Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics at the reporting dates. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(d) Liquidity risk

GROUP

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at the reporting dates, the Group's financial liabilities have contractual maturities based on contractual undiscounted cash flows are summarised below:

	Less than 1 year or on demand HK$'000	**Over 1 year** HK$'000	**Total undiscounted cash flow** HK$'000
At 31 December 2012			
Trade payables	**2,076**	**–**	**2,076**
Other payables	**4,056**	**–**	**4,056**
Loan from a related company	**78,000**	**–**	**78,000**
Loans from shareholders	**150,000**	**474,610**	**624,610**
	234,132	**474,610**	**708,742**
At 31 December 2011			
Trade payables	79,401	–	79,401
Other payables	116,761	–	116,761
Loan from a related company	–	81,900	81,900
Loans from shareholders	–	523,750	523,750
Bank borrowings	13,382	626,529	639,911
	209,544	1,232,179	1,441,723

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

COMPANY

	Less than 1 year or on demand HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000
At 31 December 2012			
Other payables	**272**	**–**	**272**
Amounts due to subsidiaries	**346,612**	**–**	**346,612**
Loans from shareholders	**–**	**353,535**	**353,535**
	346,884	**353,535**	**700,419**
At 31 December 2011			
Other payables	89	–	89
Amounts due to subsidiaries	203,101	–	203,101
Loans from shareholders	–	353,535	353,535
	203,190	353,535	556,725

(e) Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2012 and 2011 may be categorised as follows. See notes 4.11 and 4.18 for explanations about how the category of financial instruments affects their subsequent measurement.

GROUP

(i) Financial assets

	2012 HK$'000	2011 HK$'000
Financial assets at fair value through profit or loss	**1,405**	–
Loans and receivables:		
Trade receivables	**–**	95
Other receivables	**20,146**	14,127
Amount due from a non-controlling shareholder of a subsidiary	**17,747**	52,923
Pledged bank deposits	**10,853**	32,001
Cash and cash equivalents	**377,419**	59,062
	427,570	158,208

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Summary of financial assets and liabilities by category *(Continued)*

GROUP *(Continued)*

(ii) Financial liabilities

	2012 HK$'000	2011 HK$'000
Financial liabilities at amortised cost:		
Trade payables	2,076	79,401
Other payables	4,056	116,761
Loan from a related company	78,000	78,000
Bank borrowings	–	593,132
Loans from shareholders	602,010	498,810
	686,142	1,366,104

COMPANY

(i) Financial assets

	2012 HK$'000	2011 HK$'000
Loans and receivables:		
Amounts due from subsidiaries	1,779,765	1,620,869
Cash and cash equivalents	61	48
	1,779,826	1,620,917

(ii) Financial liabilities

	2012 HK$'000	2011 HK$'000
Financial liabilities at amortised cost:		
Other payables	272	89
Amounts due to subsidiaries	346,612	203,101
Loans from shareholders	336,700	336,700
	683,584	539,890

41. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Fair value measurements recognised in the statement of financial position

HKFRS 7 Improving Disclosures about Financial Instruments introduced a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial asset and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

— Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

GROUP

	At 31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Assets				
Financial assets at fair value through profit or loss				
— Shares of listed company	**1,405**	**–**	**–**	**1,405**

The equity securities are shares of listed company and are denominated in HK$. Fair values have been determined by reference to their quoted bid prices at the reporting date. The methods and valuation techniques used for the purpose of measuring fair value are unchanged during the year.

There have been no transfers between different levels during the year.

42. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing goods and services commensurately with the level of risk.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group sets the amount of equity capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The capital-to-overall financing ratio at reporting date was as follows:

	2012 HK$'000	2011 HK$'000 (Restated)
Capital		
Total equity	**2,294,784**	2,286,919
Overall financing		
Bank borrowings	**581,070**	593,132
Loan from a related company	**78,000**	78,000
Loans from shareholders	**602,010**	498,810
	1,261,080	1,169,942
Capital-to-overall financing ratio	**182.0%**	195.5%

43. POST BALANCE SHEET EVENT

According to the joint announcement of the Company and South China (China) Limited on 17 January 2013, the disposal of the entire issued share capital of Splendor Sheen Limited from Crystal Hub Limited to Even Dragon Limited was completed on 16 January 2013.

According to the Company's announcement on 22 January 2013, the subsidiary of the Group won a bid at the tender for the acquisition of land use rights of land. The land is located at No. B-2012-29, Bohai District, Huanghua New City, Cangzhou with an area of approximately 32,336 sq.m. The term of the land use rights of the land is 40 years and the land is permitted to be used for residential and commercial purpose. The consideration for the land acquisition is RMB15,250,000. An amount of RMB9,000,000 was paid as tender deposit which shall be applied to settle part of the consideration. The remaining balance of RMB6,250,000 is payable in full within 60 days from the date of the land use right transfer contract.

Summary of Financial Information

	Year ended 31 December				
	2012 HK$'000	2011 HK$'000 (Restated)	2010 HK$'000 (Restated)	2009 HK$'000	2008 HK$'000
Revenue					
Continuing operations	**48,693**	5,175	844	–	–
Discontinued operations	**–**	–	14,611	21,772	31,994
	48,693	5,175	15,455	21,722	31,994
Profit/(loss) from operations					
Continuing operations	**62,225**	53,002	1,195,485	(30,121)	(11,278)
Discontinued operations	**–**	–	5,490	(4,791)	(993)
	62,225	53,002	1,200,975	(34,912)	(12,271)
Finance costs					
Continuing operations	**(45,969)**	(39,374)	(11,601)	(18,392)	(28,089)
Discontinued operations	**–**	–	–	–	–
	(45,969)	(39,374)	(11,601)	(18,392)	(28,089)
Profit/(loss) before taxation					
Continuing operations	**16,256**	13,628	1,183,884	(48,513)	(39,367)
Discontinued operations	**–**	–	5,490	(4,791)	(993)
	16,256	13,628	1,189,374	(53,304)	(40,360)
Income tax expense					
Continuing operations	**(10,784)**	(21,695)	(315,297)	–	–
Discontinued operations	**–**	–	(153)	–	–
	(10,784)	(21,695)	(315,450)	–	–
Profit/(loss) for the year					
Continuing operations	**5,472**	(8,067)	868,588	(48,513)	(39,367)
Discontinuing operations	**–**	–	5,337	(4,791)	(993)
	5,472	(8,067)	873,925	(53,304)	(40,360)
Attributable to					
Equity holders	**2,020**	(9,721)	689,734	(48,526)	(38,862)
Non-controlling interest	**3,452**	1,654	184,191	(4,778)	(1,498)
	5,472	(8,067)	873,925	(53,304)	(40,360)
Assets and liabilities and non-controlling interest					
Total assets	**4,640,389**	4,211,325	3,635,756	1,782,817	1,467,946
Total liabilities	**(2,345,605)**	(1,924,406)	(1,432,931)	(525,044)	(1,187,953)
Non-controlling interest	**(367,284)**	(363,447)	(347,613)	(151,978)	(118,893)
	1,927,500	1,923,472	1,855,212	1,105,795	161,100

Details of Properties

INVESTMENT PROPERTIES AND PROPERTIES UNDER DEVELOPMENT

Location	Type	Stage of completion	Anticipated completion date	Group's attributable interest	Approximate gross floor area	Approximate site area
Avenue of Stars (previously named as Fortune Plaza), Western side of Zhaoyang Street, Shenhe District, Shenyang, Liaoning Province, the PRC	Commercial	Business commenced during the year	–	80%	117,200 sq.m.	21,893.5 sq.m.
Relocation project in Zhongjie	Residential	Main body of building	2013	70%	9,956 sq.m.	6,147 sq.m.