South China (China) Limited

(Formerly known as "South China Industries Limited")

Incorporated in the Cayman Islands with limited liability

Stock code: 413

ANNUAL REPORT 2007

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor (*Vice-Chairman and Chief Executive Officer*)
Mr. Richard Howard Gorges (*Vice-Chairman*)
Mr. Ng Yuk Fung, Peter

Non-Executive Director

Ms. Ng Yuk Mui, Jessica

Independent Non-Executive Directors

Ms. Li Yuen Yu, Alice
Mr. Chiu Sin Chun
Mrs. Tse Wong Siu Yin, Elizabeth

AUDIT COMMITTEE

Ms. Li Yuen Yu, Alice (*Committee Chairman*)
Mr. Chiu Sin Chun
Mrs. Tse Wong Siu Yin, Elizabeth

REMUNERATION COMMITTEE

Mrs. Tse Wong Siu Yin, Elizabeth (*Committee Chairman*)
Mr. Chiu Sin Chun
Ms. Li Yuen Yu, Alice

COMPANY SECRETARY

Mr. Cheng Man Kwong

REGISTERED OFFICE

Scotia Centre
4th Floor
P.O. Box 2804
George Town
Grand Cayman
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

Ernst & Young
Certified Public Accountants

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
The Bank of East Asia, Limited
Chong Hing Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank Corporation
DBS Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited
Bank of Communications
CITIC Ka Wah Bank Limited
BNP Paribas
Dah Sing Bank, Limited

SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Rooms 1901-02, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

STOCK CODE

413

WEBSITE

http://www.sctrade.com

Chairman's Statement and Management Discussion and Analysis

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

BUSINESS REVIEW

The Group recorded turnover of HK$2.1 billion and profit attributable to the equity holders of the Company of HK$413.8 million for the year ended 31 December 2007, representing an increase of 24% in profits over the results in 2006.

Corporate Restructuring

In the year 2007, the Company was renamed and its principal businesses were restructured. South China Industries Limited now becomes **South China (China) Limited** to better reflect our business strategy, direction and plan for its future development, in particular in the PRC.

The travel business and information and technology business were segregated from the Group and transferred to its holding company group. The decrease in turnover and certain assets and liabilities during the past year were the result of the disposal of these two non-core former business segments. This restructure will allow the Group to become more focus and to concentrate and foster its resources and expertise in three major segments of trading and manufacturing, property investment and development, and agriculture and woods.

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

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

Trading and Manufacturing

The segment recorded a turnover of HK$2.1 billion and an operating profit of HK$75.8 million, an increase of 68% as compared to HK$45.2 million in 2006. The increase in profit was mainly resulted from the disposal of a loss making listed subsidiary, Nority International Group Limited ("NIG") in early last year, for which the Group no longer shared its losses in the year 2007. The Group realised a gain on disposal of approximately HK$65.8 million and maintained 35% interest in a subsidiary of NIG engaging in shoe manufacturing, which was then accounted for as an associate of the Group in 2007.

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

Property Investment and Development

Our rental portfolio reported a gross rental income of HK$39.9 million, an increase of 93% as compared to 2006; and a revaluation gain of HK$103.6 million in 2007. The increase in rental income was partly attributable to rental revision and to the additional contribution from the investment properties in Nanjing as a result of the increase in our controlling stake in some joint ventures that hold sizable sites in the prime retail district in Nanjing; and partly from acquisition of some investment properties from the holding company group in Hong Kong. Our Hong Kong property portfolio held for lease also recorded a double-digit growth in rental income.

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

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

Agriculture and Woods

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2007, the Group had a current ratio of 1.20 and a gearing ratio of 10.4% (31 December 2006: 1.05 and 9.19% respectively). The gearing ratio is computed on comparing the Group's total long-term bank borrowings of HK$179.7 million to the Group's equity of HK$1,735.6 million. The Group's operations and investments continue to be financed by internal resources and bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

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

INVESTMENTS

For the year ended 31 December 2006, available-for-sale financial assets and financial assets at fair value through profit or loss increased moderately from HK$36.6 million and HK$49.6 million to HK$38.2 million and HK$54.5 million, respectively.

CAPITAL STRUCTURE

At an extraordinary general meeting of the Company held on 21 August 2007, ordinary resolutions were passed to approve the (i) subdivision of each of the issued and unissued shares of HK$0.10 in the capital of the Company into 5 shares of HK$0.02 each (the "Subdivided Shares"); (ii) change of board lot size to 8,000 Subdivided Shares; and (iii) bonus issue of warrants to subscribe for the Subdivided Share at the initial exercise price of HK$0.40. The share subdivision and the change of board lot size took effect from 22 August 2007 and the bonus issue of warrants commenced dealings on 7 September 2007.

Save as the issue of warrants mentioned above, the Group had no debt securities or other capital instruments as at 31 December 2007 and up to the date of this Annual Report.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year,

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

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

(3) the Group acquired certain fellow subsidiaries which hold investment properties located in Hong Kong and the berths and membership debentures of a golf and country club in Hong Kong at a consideration of HK$122.1 million in exchange for its entire interest in travel and information technology businesses disposed of and cash payment to a fellow subsidiary of the Company at the same consideration; and

(4) the Group acquired 67.69% of the issued share capital of SCL at a consideration of approximately HK$96 million.

PLEDGES OF ASSETS AND CONTINGENT LIABILITIES

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

Details of the Group's pledges of assets and contingent liabilities are set out in notes 49 and 50 the financial statements.

EMPLOYEES

As at 31 December 2007, the total number of employees of the Group was approximately 25,100. Employees' cost (including directors' emoluments) amounted to approximately HK$579.2 million for the year.

In addition to salary, other fringe benefits such as medical subsidies, provident fund and subsidized training programmes are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. The Company adopted an employee share option scheme which came into effect on 18 June 2002.

PROSPECTS

Trading and Manufacturing

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

Property Investment and Development

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

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

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

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

Agriculture and Woods

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

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

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

In all, each business is expected to report growth in the year 2008. The restructuring of the Group in the three core businesses will bring a clearer picture of the Group's core business activities to its investors and such business rationalization would land a good foundation for the Group to deliver continued progress for each three sectors.

APPRECIATION

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

Ng Hung Sang
Chairman

Hong Kong, 15 April 2008

Directors' Biographical Details

EXECUTIVE DIRECTORS

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

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

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

Mr. Ng Yuk Fung, Peter, aged 28, is the Executive Director of the Company, SCH and SCL. He holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom. Mr. Ng is the son of Mr. Ng Hung Sang, the Chairman of the Company, and the brother of Ms. Ng Yuk Mui, Jessica, a Non-Executive Director of the Company. He was appointed as an Executive Director of the Company in June 2002.

NON-EXECUTIVE DIRECTOR

Ms. Ng Yuk Mui, Jessica aged 29, is the Non-Executive Director of the Company, SCH and SCL. She holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom, and was admitted to the Hong Kong Bar in 2006. Ms. Ng is an associate member of the Chartered Institute of Management Accountants and a member of the Chinese People's Political Consultative Conference Tianjin Provincial Committee. She is the daughter of Mr. Ng Hung Sang, the Chairman of the Company, and the sister of Mr. Ng Yuk Fung, Peter, Executive Director of the Company. She was appointed as an Executive Director of the Company in June 2002 and redesignated as Non-Executive Director of the Company with effect from 1 July 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Sin Chun, aged 60, has more than 30 years' experience in the newspaper and media industry. He was appointed as an Independent Non-executive Director of the Company in August 2001.

Ms. Li Yuen Yu, Alice, aged 38, is an Independent Non-executive Director of the Company, Director of Cheng & Cheng Limited, Certified Public Accountants in Hong Kong. Ms. Li was also the Independent Non-executive Director of Nority during the period from 2 May 2006 to 3 February 2007. She received her Accounting degree from Monash University, Australia in 1994 and was admitted as a Certified Public Accountant in Australia in 1997 and in Hong Kong in 1998. She is the fellow member of the Taxation Institute of Hong Kong. She was appointed as an Independent Non-executive Director of the Company in September 2004.

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

Directors' Report

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

CHANGE OF COMPANY NAME

A special resolution was passed at the EGM to change the name of the Company from "South China Industries Limited" (Chinese translation being "南華工業有限公司" for identification purpose only) to "South China (China) Limited" (Chinese translation being "南華（中國）有限公司" for identification purpose only) with effect from 21 August 2007.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal subsidiaries engage in the manufacturing of toys, shoes, electronics toys products, leather products, motors, machinery and capacitors, property investment and development and agriculture and woods.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2007 and state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 121 of this Annual Report.

The Directors recommends the payment of a final dividend of HK1.0 cent (2006: HK1.12 cents) per share, which amounted to approximately HK$26.5 million (2006: HK$29.7 million) in respect of the year ended 31 December 2007 to the shareholders whose names appear on the register of members of the Company on 20 May 2008. This, together with the interim dividend of HK1.0 cent per share paid on 18 October 2007, will give a total dividend of HK2.0 cents per share for the whole year.

Subject to the approval by the shareholders of the final dividend at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 6 August 2008.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 122 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND DETAILS OF THE PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 17 and 18 to the financial statements, respectively. Further details of the Group's investment properties and construction in progress are set out on pages 123 to 128 of this Annual Report.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of the movement in share capital, share options and warrants of the Company during the year are set out in note 43 to the financial statements.

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 45 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2007, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$447,169,000.

DIRECTORS

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

Executive Directors:

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor (*Vice-chairman and Chief Executive Officer*)
Mr. Richard Howard Gorges (*Vice-chairman*)
Mr. Ng Yuk Fung, Peter

Non-executive Director:

Ms. Ng Yuk Mui, Jessica

Independent Non-executive Directors:

Mr. Chiu Sin Chun
Mrs. Tse Wong Siu Yin, Elizabeth
Ms. Li Yuen Yu, Alice

In accordance with article 116 of the articles of association of the Company, Ms. Cheung Choi Ngor, Mrs. Tse Wong Siu Yin, Elizabeth and Ms. Li Yuen Yu, Alice will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company had received an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from each of the Independent Non-executive Director, namely Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin, Elizabeth and Ms. Li Yuen Yu, Alice for the year ended 31 December 2007 and the Company still considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on page 8 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 EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

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

(a) the Company

(1) ***Interest in Shares***

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng Hung Sang ("Mr. Ng")	Interests of controlled corporations	1,983,206,785 (Note a)	74.78%

(2) ***Interest in underlying Shares***

(i) **Warrants**

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

(ii) ***Share options***

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

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

(b) Associated corporations

(1) Interests in shares

(i) South China Holdings Limited ("SCH") (Note c)

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

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

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

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

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

(vi) South China Financial Credits Limited ("SCFC") (Note i)

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

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

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Mr. Ng	Interest of controlled corporations	30	30%

(2) ***Interest in underlying Shares***

(i) SCH

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

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

(ii) SCFH

(a) *Warrants*

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

(b) *Share options*

Name of Director	Capacity	Number of underlying shares (note)	Approximate percentage of shareholding
Mr. Gorges	Beneficial owner	30,000,000	0.60%
Ms. Cheung	Beneficial owner	20,000,000	0.40%
Mr. Ng Yuk Fung, Peter	Beneficial owner	50,000,000	1.00%

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

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

(iii) SCL

(a) *Convertible Notes*

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

(b) ***Share option***

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

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

Notes:

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

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

(c) SCH owns 74.78% shareholdings in the Company and is the ultimate holding company of the Company.

(d) Mr. Ng, Ms. Cheung and Mr. Gorges, through companies wholly-owned and controlled by them, had interests in 487,949,760 shares in SCH. Mr. Ng personally owned 71,652,200 shares in SCH and through companies wholly-owned and controlled by him, beneficially owned 784,579,852 shares in SCH.

(e) SCFH is a 72.79% owned subsidiary of SCH.

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

(g) SCL is a 68.48% owned subsidiary of the Company.

(h) By virtue of notes (c), (d) and (g), Mr. Ng has a duty of disclosure under the SFO in relation to the 346,829,203 shares in SCL held by certain wholly-owned subsidiaries of SCH.

(i) SCFC is a 98.42% owned subsidiary of SCH.

(j) Prime Prospects is a 70% owned subsidiary of the Company. Mr. Ng and his family, through a company wholly-owned and controlled by them, have interests in 30 shares in Prime Prospects.

(k) These are interests held under warrants of SCFH which entitle the holders thereof to subscribe at any time during the period 23 October 2007 to 22 October 2008 (both days inclusive) for fully paid shares of the Company at an initial subscription price of HK$0.168 per share (subject to adjustments). By virtue of notes (d) and (e), Mr. Ng has a duty of disclosure under the SFO in relation to the 732,100,500 warrants in SCFH held by certain wholly-owned subsidiaries of SCH.

(l) These are 2 convertible notes issued by SCL to a wholly-owned subsidiary of the Company with the rights to convert into 5,440,000,000 shares of SCL and 5,226,666,666 shares of SCL respectively at a conversion price of HK$0.075 per share. By virtue of Notes (c), (d) and (g), Mr. Ng is taken to have a duty of disclosure under SFO in relation to the said convertible notes.

(m) All interests disclosed above represent long positions in the shares of the Company.

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

SHARE OPTION SCHEME

The Directors and employees of the Company and its subsidiaries are entitled to participate in the share option schemes of the Company and its ultimate holding company whereas certain Directors are entitled to participate in the share option schemes of a subsidiary and a fellow subsidiary. Particulars of the share option schemes of the Company and the subsidiary together with the details of the options of the Company granted were set out in note 44 to the financial statements. Details of the options granted by the Company, holding company, subsidiary and the fellow subsidiary to the Directors were set out under the section "Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures" of this report. Save as disclosed in this Report and in the financial statements, up to 31 December 2007, none of the Directors and chief executive of the Company had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or its associated corporations required to be disclosed pursuant to the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

PENSION SCHEME

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between the Group and other companies in which a Director of the Company, Mr. Ng Hung Sang, has beneficial interest are set out in note 53 to the financial statements and the section "Connected Transactions" of this report.

Save as disclosed above, no contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

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

Long positions:

Name of shareholder	Capacity	Number of ordinary Shares	Approximate percentage of shareholding	Number of underlying Shares (Note)	Approximate percentage of shareholding of underlying Shares
SCH	Interest of controlled corporations	1,983,206,785	74.78%	396,641,357	14.96%

Note: The underlying shares represent warrants of the Company which entitle the holders thereof to subscribe at any time during the period from 7 September 2007 to 6 September 2010 (both days inclusive) for fully paid Shares at an initial subscription price of HK$0.40 per Share (subject to adjustment).

Save as disclosed above, as at 31 December 2007, no person, other than the Directors, whose interests are set out in the section "Directors' and Chief Executive's interests and Short Position in Shares, Underlying Shares and Debentures" 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.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Details of the compliance by the Company with the Code on Corporate Governance Practices are set out on pages 20 to 23 of the Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of the compliance by the Company with the Model Code for Securities Transactions are set out on page 21 of this Annual Report.

CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 53 to the financial statements.

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

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

On 9 January 2007, the Company, the Vendor and SCL entered into the amended and restated share purchase agreement (the "Amended Agreement") to amend the Agreement. Under the terms of the Amended Agreement, the Vendor agreed to sell to SCL 51% of equity interest in Praise Rich and a debt at a consideration of HK$408 million, to be satisfied by SCL issuing to Skychance Group Limited ("Skychance"), a wholly-owned subsidiary of SCC, a zero-coupon convertible note (the "Convertible Note I") at the agreed conversion price of HK$0.075 per SCL share. To ensure the timely development of the property project, the Company agreed to (i) continue the provision of a guarantee to secure the due and punctual performance of the obligations of a wholly-owned subsidiary of Praise Rich in respect of a loan facility of HK$80 million granted by a bank and (ii) provide a new guarantee for securing the due and punctual performance of the full obligations of Praise Rich and its subsidiaries under a proposed loan facility of up to an aggregate principal amount of HK$500 million to be borrowed from banks on normal commercial terms at market interest rate to finance the development of the property project. The transaction was completed on 12 March 2007. Details of the transaction were set out in the circular of the Company dated 12 February 2007.

On 30 April 2007, the Company, the Vendor and SCL entered into another agreement, the Vendor agreed to sell to SCL the remaining 49% of equity interest in Praise Rich and a debt for a consideration of HK$392 million, to be satisfied by SCL issuing to Skychance another zero-coupon convertible note (the "Convertible Note II") at the agreed conversion price of HK$0.075 per SCL share. The full conversion of the Convertible Note I and the Convertible Note II would enable the Company to hold the interest in the property project indirectly and still benefit from the potential capital appreciation of the project in the future. The transaction was completed on 6 July 2007. Details of the transaction were set out in the circular of the Company dated 13 June 2007.

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

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

AUDIT COMMITTEE

The Company had established an audit committee with written terms of reference in compliance with the Listing Rules. The principal duties of the audit committee include the review of the Group's audit plan and process with the Auditors, the independence of the Auditors, the Group's financial statements and system of internal control. The audit committee comprises of three Independent Non-executive Directors, namely, Ms. Li Yuen Yu, Alice (Committee Chairman), Mr. Chiu Sin Chun and Mrs. Tse Wong Siu Yin, Elizabeth.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2007, the sales to the Group's five largest customers accounted for 37.6% of the total sales and sales to the largest customers included therein amounted to 14.8%. Purchases from the Group's five largest suppliers accounted for 30.9% of the total purchases and purchases from the largest supplier included therein accounted for 22.3% of the total purchases.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

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

AUDITORS

Deloitte Touche Tohmatsu resigned as auditors of the Company in 2005 and Ernst & Young were appointed by the Directors to fill the casual vacancy so arising. The financial statements for the year ended 31 December 2007 were audited by Ernst & Young who will retire but, being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the board

Ng Hung Sang
Chairman
Hong Kong, 15 April 2008

Corporate Governance Report

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

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

BOARD COMPOSITION AND BOARD PRACTICES

The Board of Directors (the "Board") of the Company is composed of 8 Directors, including the Chairman of the Board, who is an Executive Director, 3 additional Executive Directors, 3 Independent Non-executive Directors and 1 Non-executive Director. More than one-third of the Board is Independent Non-executive Directors and all of them have appropriate professional qualifications, or accounting or related financial management expertise. Their biographies and relevant relationships amongst them are set out in the Directors' Biographical Details on page 8 of this Annual Report.

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

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

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

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

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

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

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

The Board meets regularly and held five meetings in 2007.

	Attendance
Executive Directors	
Ng Hung Sang (*Chairman*)	5/5
Cheung Choi Ngor (*Vice Chairman & Chief Executive Officer*)	5/5
Richard Howard Gorges (*Vice-chairman*)	5/5
Ng Yuk Fung, Peter	5/5
Non-executive Director	
Ng Yuk Mui, Jessica	5/5
Independent Non-executive Directors	
Chiu Sin Chun	5/5
Tse Wong Siu Yin, Elizabeth	5/5
Li Yuen Yu, Alice	5/5

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

Directors have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

INTERNAL CONTROL

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

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 24 of this Annual Report.

AUDITORS' REMUNERATION

For the year ended 31 December 2007, the Auditors of the Company received approximately HK$2,800,000 for audit services. Non-audit services provided by the Auditors were approximately HK$550,000 in 2007.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 21 April 2005 and comprises of all the Independent Non-executive Directors, Mrs. Tse Wong Siu Yin, Elizabeth (Committee Chairman), Mr. Chiu Sin Chun and Ms. Li Yuen Yu, Alice.

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

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

AUDIT COMMITTEE

The Audit Committee comprises all Independent Non-executive Directors, Ms. Li Yuen Yu, Alice (Committee Chairman), Mr. Chiu Sin Chun and Mrs. Tse Wong Siu Yin, Elizabeth. The principal duties of the Audit Committee include the review of the Group's audit plan and process with the Auditors, the independence of the Auditors, the Group's financial statements and internal control procedures in accordance with its terms of reference, which is substantially the same as the CG Code.

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

	Attendance
Li Yuen Yu, Alice (*Committee Chairman*)	2/2
Chiu Sin Chun	2/2
Tse Wong Siu Yin, Elizabeth	2/2

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

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

Independent Auditors' Report

ERNST & YOUNG
安永會計師事務所

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

We have audited the financial statements of South China (China) Limited set out on pages 25 to 121, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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

Opinion

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

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

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**2,113,362**	2,070,954
Cost of sales		**(1,811,798)**	(1,823,261)
Gross profit		**301,564**	247,693
Other income and gains	5	**48,158**	23,405
Fair value gain on investment properties	18	**103,603**	57,417
Gain on disposal of investment properties		**–**	5,280
Fair value gain on biological assets	16	**6,217**	3,664
Excess over the cost of business combinations and acquisition of minority interests		**–**	241,308
Gain on disposal of interests in subsidiaries		**65,956**	–
Fair value loss on financial assets at fair value through profit or loss		**(4,190)**	(1,399)
Gain on disposal of financial assets at fair value through profit or loss		**25,007**	5,508
Gain on disposal of available-for-sale financial assets		**9,912**	504
Selling and distribution costs		**(40,288)**	(42,759)
Administrative expenses		**(282,254)**	(239,315)
Write-back of impairment of items of property, plant and equipment		**2,569**	11,620
Profit from operations		**236,254**	312,926
Finance costs	7	**(24,560)**	(27,261)
Impairment of advances to an associate		**(10,500)**	–
Share of profits and losses of associates		**202,090**	35,704
PROFIT BEFORE TAX	6	**403,284**	321,369
Tax	10	**2,857**	(15,607)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**406,141**	305,762
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	12	**7,882**	18,817
PROFIT FOR THE YEAR		**414,023**	324,579

Consolidated Income Statement

Year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
Attributable to:			
Equity holders of the Company		**413,820**	333,587
Minority interests		**203**	(9,008)
		414,023	324,579
DIVIDENDS			
Interim paid	14	**26,517**	–
Final proposed	14	**26,519**	29,699
		53,036	29,699
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	15		
Basic			
– For profit for the year		**15.6 cents**	12.6 cents
– For profit from continuing operations		**15.3 cents**	11.9 cents
Diluted			
– For profit for the year		**14.6 cents**	–
– For profit from continuing operations		**14.3 cents**	–

Consolidated Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	17	**235,052**	305,676
Investment properties	18	**1,122,341**	819,146
Prepaid land lease payments	19	**20,027**	30,955
Construction in progress	20	**263,444**	208,737
Interests in associates	23	**303,617**	310,762
Biological assets	16	**71,000**	65,000
Available-for-sale financial assets	24	**38,169**	36,554
Other non-current assets	25	**16,666**	16,666
Goodwill	21	**3,384**	21,445
Deferred tax assets	42	**–**	6,989
Total non-current assets		**2,073,700**	1,821,930
CURRENT ASSETS			
Inventories	26	**262,966**	353,429
Trade receivables	27	**135,711**	269,299
Prepayments, deposits and other receivables	28	**141,022**	119,294
Financial assets at fair value through profit or loss	33	**54,513**	49,548
Due from fellow subsidiaries	30	**8,887**	30,562
Due from an intermediate holding company	31	**709**	714
Due from associates	23	**234,045**	–
Due from related companies	32	**–**	361
Due from a minority shareholder of a subsidiary	29	**12,561**	12,963
Tax recoverable		**1,855**	5,812
Pledged bank deposits	34	**–**	11,880
Cash and bank balances	34	**162,235**	254,983
		1,014,504	1,108,845
Non-current assets classified as held for sale	13	**–**	53,300
Total current assets		**1,014,504**	1,162,145
CURRENT LIABILITIES			
Trade and bills payables	35	**267,634**	510,272
Other payables and accruals	36	**174,433**	257,959
Interest-bearing bank and other borrowings	37	**352,550**	303,595
Due to fellow subsidiaries	30	**17,128**	–
Due to related parties	32	**13,098**	–
Due to a minority shareholder of a subsidiary	29	**2,128**	–
Tax payable		**21,545**	33,631
Total current liabilities		**848,516**	1,105,457
NET CURRENT ASSETS		**165,988**	56,688

Consolidated Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
NET CURRENT ASSETS		**165,988**	56,688
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,239,688**	1,878,618
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	37	**181,134**	133,834
Due to fellow subsidiaries	30	**–**	7,429
Advances from minority shareholders of subsidiaries	39	**51,576**	52,951
Provision for severance payment	40	**41,259**	32,601
Promissory notes	41	**95,959**	–
Deferred tax liabilities	42	**134,112**	132,076
Deemed consideration for acquisition of subsidiaries under merger accounting	2.1	**–**	122,121
Total non-current liabilities		**504,040**	481,012
Net assets		**1,735,648**	1,397,606
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	43	**53,038**	53,033
Reserves	45(a)	**1,562,238**	1,220,882
Proposed final dividend	14	**26,519**	29,699
		1,641,795	1,303,614
Minority interests		**93,853**	93,992
Total equity		**1,735,648**	1,397,606

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

		Attributable to equity holders of the Company													
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Merger reserve HK$'000	Land and buildings revaluation reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	PRC statutory reserve HK$'000	Goodwill reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 January 2006															
As previously reported		53,033	193,410	223	136,502	33,250	(535)	5,769	(3,067)	2,096	567,588	–	988,269	248,032	1,236,301
Adjusted for the Acquisition		–	–	–	70,077	–	–	–	–	–	(100,625)	–	(30,548)	(24,808)	(55,356)
As restated		53,033	193,410	223	206,579	33,250	(535)	5,769	(3,067)	2,096	466,963	–	957,721	223,224	1,180,945
Exchange realignment		–	–	–	–	–	–	–	–	9,661	–	–	9,661	1,064	10,725
Changes in fair value of available-for-sale financial assets		–	–	–	–	–	4,292	–	–	–	–	–	4,292	956	5,248
Transfer to the income statement on disposal of available-for-sale financial assets		–	–	–	–	–	282	–	–	–	–	–	282	(7)	275
Surplus on revaluation		–	–	–	–	1,571	–	–	–	–	–	–	1,571	(111)	1,460
Transfer from land and buildings revaluation reserve		–	–	–	–	(564)	–	–	–	–	564	–	–	–	–
Total income and expense for the year recognised directly in equity		–	–	–	–	1,007	4,574	–	–	9,661	564	–	15,806	1,902	17,708
Profit for the year (as restated)		–	–	–	–	–	–	–	–	–	333,587	–	333,587	(9,008)	324,579
Total income and expense for the year (as restated)		–	–	–	–	1,007	4,574	–	–	9,661	334,151	–	349,393	(7,106)	342,287
Acquisition of subsidiaries	46	–	–	–	–	–	–	–	–	–	–	–	–	30,350	30,350
Acquisition of minority interests	46	–	–	–	–	–	–	–	–	–	–	–	–	(165,664)	(165,664)
Capital contribution from a minority shareholder of a subsidiary		–	–	–	–	–	–	–	–	–	–	–	–	19,190	19,190
Dividends paid to minority shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	(6,002)	(6,002)
Transfer from retained profits		–	–	–	–	–	–	990	–	–	(990)	–	–	–	–
Dividends paid to former shareholders by a subsidiary combined under merger accounting (as restated)		–	–	–	–	–	–	–	–	–	(3,500)	–	(3,500)	–	(3,500)
Proposed final 2006 dividend	14	–	–	–	–	–	–	–	–	–	(29,699)	29,699	–	–	–
Balance at 31 December 2006 (as restated)		53,033	193,410*	223*	206,579*	34,257*	4,039*	6,759*	(3,067)*	11,757*	766,925*	29,699	1,303,614	93,992	1,397,606

Consolidated Statement of Changes in Equity

Year ended 31 December 2007

		Attributable to equity holders of the Company															
	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Merger reserve HK$'000	Land and buildings revaluation reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	PRC statutory reserve HK$'000	Share option reserve HK$'000	Goodwill reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 January 2007																	
As previously reported		53,033	193,410	–	223	136,502	34,257	4,039	6,759	–	(3,067)	11,757	849,826	29,699	1,316,438	118,800	1,435,238
Adjusted for the Acquisition		–	–	–	–	70,077	–	–	–	–	–	–	(82,901)	–	(12,824)	(24,808)	(37,632)
As restated		53,033	193,410	–	223	206,579	34,257	4,039	6,759	–	(3,067)	11,757	766,925	29,699	1,303,614	93,992	1,397,606
Acquisition of SCL		–	–	4,091	–	(84,797)	–	–	–	–	–	–	(14,617)	–	(95,323)	322	(95,001)
Exchange realignment		–	–	–	–	–	–	–	–	–	–	25,585	–	–	25,585	16,042	41,627
Changes in fair value of available-for-sale financial assets		–	–	–	–	–	–	17,580	–	–	–	–	–	–	17,580	–	17,580
Surplus on revaluation		–	–	–	–	–	25,207	–	–	–	–	–	–	–	25,207	–	25,207
Total income and expense for the year recognised directly in equity		–	–	–	–	–	25,207	17,580	–	–	–	25,585	–	–	68,372	16,042	84,414
Profit for the year		–	–	–	–	–	–	–	–	–	–	–	413,820	–	413,820	203	414,023
Total income and expense for the year		–	–	–	–	–	25,207	17,580	–	–	–	25,585	413,820	–	482,192	16,245	498,437
Issue of shares upon exercise of share warrants		5	78	–	–	–	–	–	–	–	–	–	–	–	83	–	83
Disposal of available-for-sale financial assets		–	–	–	–	–	–	(4,039)	–	–	–	–	(623)	–	(4,662)	–	(4,662)
Disposal of subsidiaries	47	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(9,794)	(9,794)
Acquisition of subsidiaries	46	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(130)	(130)
Dividends paid to minority shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(7,412)	(7,412)
Recognition of equity-settled share based compensation		–	–	–	–	–	–	–	–	12,107	–	–	–	–	12,107	630	12,737
Transfer from retained profits		–	–	–	–	–	–	–	1,292	–	–	–	(1,292)	–	–	–	–
Final dividend for 2006 paid		–	–	–	–	–	–	–	–	–	–	–	–	(29,699)	(29,699)	–	(29,699)
Interim dividend for 2007 paid	14	–	–	–	–	–	–	–	–	–	–	–	(26,517)	–	(26,517)	–	(26,517)
Final dividend for 2007 proposed	14	–	–	–	–	–	–	–	–	–	–	–	(26,519)	26,519	–	–	–
Balance at 31 December 2007		53,038	193,488*	4,091*	223*	121,782*	59,464*	17,580*	8,051*	12,107*	(3,067)*	37,342*	1,111,177*	26,519	1,641,795	93,853	1,735,648

Merger reserve arose from the group reorganisation in 1992 and the business combination under common control in respect of the acquisition of SCL and certain fellow subsidiaries in 2007.

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

* These reserve accounts comprise the consolidated reserves of HK$1,562,238,000 (2006: HK$1,220,882,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**403,284**	321,369
From discontinued operations		**12,380**	23,083
Adjustments for:			
Finance costs	7	**25,776**	28,881
Share of profits and losses of associates		**(202,220)**	(35,772)
Interest income		**(4,029)**	(5,924)
Fair value gain on investment properties		**(103,603)**	(57,417)
Write-off of items of property, plant and equipment	6	**918**	2,868
Gain on disposal of items of property, plant and equipment	5	**(4,649)**	(6,159)
Gain on disposal of investment properties		**–**	(5,280)
Excess over the cost of business combination and acquisition of minority interests		**–**	(241,308)
Gain on disposal of subsidiaries		**(56,278)**	–
Fair value gain on biological assets		**(6,217)**	(3,664)
Decrease in biological assets due to harvest	6	**217**	664
Dividend income from listed investments	5	**(350)**	(832)
Gain on disposal of available-for-sale financial assets		**(9,912)**	(504)
Gain on disposal of financial assets at fair value through profit or loss		**(25,007)**	–
Equity settled share based payment expense		**12,737**	–
Gain on waiver of loans and accrued interest		**(24,444)**	–
Write-back of impairment of advance to an associate	5	**(1,871)**	–
(Write back of impairment)/impairment of trade receivables, net		**(398)**	1,442
Impairment of advances to an associate		**10,500**	–
Impairment of obsolete inventories		**15,504**	12,754
Depreciation	6	**44,578**	52,774
Write-back of impairment of items of property, plant and equipment		**(2,569)**	(11,620)
Impairment of construction in progress	6	**1,752**	–
Fair value loss on financial assets at fair value through profit or loss		**4,190**	1,399
Amortisation of prepaid land lease payments	6	**608**	750
		90,897	77,504
Decrease/(increase) in inventories		**34,297**	(4,837)
Increase in trade receivables		**(4,586)**	(1,860)
Decrease/(increase) in prepayments, deposits and other receivables		**7,996**	(508)
Increase in amount due from a minority shareholder of a subsidiary		**(510)**	(24,500)
Increase in financial assets at fair value through profit or loss		**–**	(50,587)
Decrease/(increase) in amounts due from fellow subsidiaries		**19,617**	(3,672)
Increase in amount due from an intermediate holding company		**(157)**	–
Decrease in loans and receivables		**–**	1,670
(Decrease)/increase in trade and bills payables		**(121,101)**	102,554
(Decrease)/increase in other payables and accruals		**(34,404)**	16,895
Increase in amount due to a minority shareholder of a subsidiary		**2,128**	–
Increase/(decrease) in amount due to fellow subsidiaries		**9,544**	(941)
Increase in amount due from associates		**(11,096)**	–
Increase in amount due from related companies		**(227)**	(361)
Severance payment paid		**(1,272)**	(153)
Cash generated from operations		**(8,874)**	111,204
Hong Kong profits tax paid		**(6,654)**	(2,810)
Mainland China tax paid		**(5,144)**	(1,987)
Net cash (outflow)/inflow from operating activities		**(20,672)**	106,407

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(44,072)**	(22,564)
Additions to construction in progress		**(40,794)**	(96,372)
Additions to prepaid land lease payments		**–**	(64)
Purchases of available-for-sale financial assets		**–**	(2,511)
Purchases of financial assets at fair value through profit or loss		**(226,647)**	–
Dividends received from listed investments		**350**	832
Acquisition of subsidiaries		**(1,174)**	(71,723)
Cash consideration for the acquisition of subsidiaries accounted for by merger accounting		**(60,158)**	–
Advances to associates, net		**(1,692)**	(1,477)
Acquisition of minority interests		**–**	(78,361)
Advances for purchase of subsidiaries		**(60,000)**	–
(Increase)/decrease in pledged bank deposits		**(700)**	3,350
Proceeds from disposal of available-for-sale financial assets		**21,144**	4,299
Proceeds from disposal of financial assets at fair value through profit or loss		**242,499**	–
Interest received		**2,967**	5,924
Proceeds from disposal of investment properties		**–**	39,160
Proceeds from disposal of subsidiaries, net	47	**42,470**	–
Proceeds from disposal of items of property, plant and equipment		**5,875**	10,767
Net cash outflow from investing activities		**(119,932)**	(208,740)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**(315,959)**	(178,656)
Increase in trust receipt loans		**41,340**	21,463
Repayment to an intermediate holding company, net		**–**	(2,221)
(Repayment of advances from)/advance from minority shareholders		**(2,306)**	2,167
Advance from a related party		**10,200**	–
Interests paid		**(25,776)**	(28,881)
Dividends paid		**(56,216)**	–
Dividend paid to former shareholders by a subsidiary combined under merger accounting		**–**	(3,500)
Dividend paid to minority shareholders of subsidiaries		**(7,412)**	(6,002)
Capital element of finance lease rental payments		**(7,046)**	(10,980)
Issue of shares capital upon exercise of warrants		**83**	–
New bank loans		**398,843**	375,410
Net cash inflow from financing activities		**35,751**	168,800
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(104,853)**	66,467
Cash and cash equivalents at beginning of year		**249,203**	173,075
Effect of foreign exchange rate changes, net		**1,437**	9,661
CASH AND CASH EQUIVALENTS AT END OF YEAR		**145,787**	249,203
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	34	**162,235**	194,372
Non-pledged time deposits with original maturity of less than three months when acquired	34	**–**	5,145
Bank overdrafts	37	**(16,448)**	(5,780)
Cash and short term deposits attributable to discontinued operations		**–**	55,466
		145,787	249,203

Balance Sheet

31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	22	**1,028,255**	902,737
CURRENT ASSETS			
Due from an intermediate holding company	31	**650**	755
Other receivables	28	**10,750**	2,030
Cash and bank balances	34	**158**	272
Total current assets		**11,558**	3,057
CURRENT LIABILITIES			
Other payables	36	**742**	730
Interest-bearing bank borrowings	37	**16,116**	64,463
Total current liabilities		**16,858**	65,193
NET CURRENT LIABILITIES		**(5,300)**	(62,136)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,022,955**	840,601
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	37	**–**	16,116
Due to subsidiaries	22	**496,006**	293,110
Total non-current liabilities		**496,006**	309,226
Net assets		**526,949**	531,375
EQUITY			
Issued capital	43	**53,038**	53,033
Reserves	45(b)	**447,392**	448,643
Proposed final dividend	14	**26,519**	29,699
Total equity		**526,949**	531,375

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

Notes to the Financial Statements

31 December 2007

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted limited company. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, the Cayman Islands.

The Company is an investment holding company. Its subsidiaries and associates are principally engaged in the manufacturing and trading of toys, shoes, leather products, motors, machinery and capacitors, property investment and development, and agriculture and woods.

In the opinion of the directors, the parent and the ultimate holding company of the Group is South China Holdings Limited ("SCH"), a company incorporated in the Cayman Islands with its shares also listed on the Stock Exchange.

Pursuant to a special resolution on 21 August 2007, the name of the Company was changed from South China Industries Limited to South China (China) Limited with effect from 21 August 2007.

2.1 CORPORATE REORGANISATION

During the year, the Group:

i) disposed of certain businesses, including the travel business and information and technology business, to SCH and acquired certain businesses (the "Acquisition"), namely the investment holding of berth, club debentures and the investment property holding businesses (the "Acquired Business") from SCH in return at a consideration of HK$122,121,000. Further details have been set out in the circular of the Company dated 25 July 2007.

   As the Company and SCH are ultimately controlled by the substantial shareholder who is also a director of the Company, the acquisition should be regarded as a business combination under common control. As such, the financial statements of the Group have been prepared based on the principles of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* ("*AG5*") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the acquisition had occurred on the date when the combining entities first came under the control of the substantial shareholder. Accordingly, fair value adjustments on respective properties have been recognised in accordance with the accounting policies of the Group in the years in which the fair value changes arose.

ii) acquired 67.69% equity interest in South China Land Limited (the "SCL") from a substantial shareholder who is also a director of the Company. Further details have been set out in the circular of the Company dated 26 October 2007.

   Same as (i) above, the Company and SCL are ultimately controlled by the substantial shareholder of the Company before and after the acquisition. As such, the acquisition has been accounted for by merger accounting in accordance with AG5. However, the directors considered that the comparative figures of SCL are insignificant to the comparative figures of the Group and restatement of comparative figures to account for the retrospective effect of this business combination under common control has no significant benefit to the readers. Accordingly, no restatement of comparative figures in relation to the acquisition of SCL has been made in these financial statements and the five year summary.

In accordance with AG 5, the comparative amounts of the financial statements of the Group have been restated to include the financial statement items of the Acquired Business. The effects of the acquisition to the Group's comparative financial statements, which extracts the items being restated only, are as follows:

2.1 CORPORATE REORGANISATION *(Continued)*

(a) Effect on the consolidated balance sheet as at 31 December 2006

	As previously reported HK$'000	The Acquired Business HK$'000	Total HK$'000	Consolidated adjustments HK$'000	As restated HK$'000
NON-CURRENT ASSETS					
Investment properties	759,146	60,000	819,146	–	819,146
Available–for–sale financial assets	19,694	16,860	36,554	–	36,554
Other non–current assets	–	16,666	16,666	–	16,666
Others*	949,564	–	949,564	–	949,564
Total non–current assets	1,728,404	93,526	1,821,930	–	1,821,930
CURRENT ASSETS					
Prepayments, deposits and other receivables	118,692	85	118,777	517	119,294
Due from fellow subsidiaries	3,700	26,862	30,562	–	30,562
Others*	1,012,289	–	1,012,289	–	1,012,289
Total current assets	1,134,681	26,947	1,161,628	517	1,162,145
CURRENT LIABILITIES					
Other payables and accruals	256,256	1,703	257,959	–	257,959
Others*	847,498	–	847,498	–	847,498
Total current liabilities	1,103,754	1,703	1,105,457	–	1,105,457
NET CURRENT ASSETS	30,927	25,244	56,171	517	56,688

2.1 CORPORATE REORGANISATION *(Continued)*

(a) Effect on the consolidated balance sheet as at 31 December 2006 *(Continued)*

	As previously reported HK$'000	The Acquired Business HK$'000	Total HK$'000	Consolidated adjustment HK$'000	As restated HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	1,759,331	118,770	1,878,101	517	1,878,618
NON-CURRENT LIABILITIES					
Deemed consideration for acquisition of subsidiaries under merger accounting	–	–	–	122,121	122,121
Due to an intermediate holding company	–	59,700	59,700	(59,700)	–
Due to fellow subsidiaries	–	139,410	139,410	(131,981)	7,429
Advances from minority shareholders of subsidiaries	28,143	24,808	52,951	–	52,951
Deferred tax liabilities	129,515	2,561	132,076	–	132,076
Others*	166,435	–	166,435	–	166,435
Total non-current liabilities	324,093	226,479	550,572	(69,560)	481,012
Net assets/(liabilities)	1,435,238	(107,709)	1,327,529	70,077	1,397,606
EQUITY					
Equity attributable to equity holders of the Company					
Retained earnings	849,826	(82,901)	766,925	–	766,925
Merger reserves	136,502	–	136,502	70,077	206,579
Others*	330,110	–	330,110	–	330,110
Total non-current liabilities	1,316,438	(82,901)	1,233,537	70,077	1,303,614
Minority interest	118,800	(24,808)	93,992	–	93,992
Net assets/(liabilities)	1,435,238	(107,709)	1,327,529	70,077	1,397,606

2.1 CORPORATE REORGANISATION *(Continued)*

(b) Effect on the consolidated income statement for the year ended 31 December 2006

	As previously reported HK$'000	The Acquired Business HK$'000	Total HK$'000	Discontinued operations HK$'000	As restated HK$'000
REVENUE	4,051,590	–	4,051,590	(1,980,636)	2,070,954
Cost of sales	(3,726,827)	–	(3,726,827)	1,903,566	(1,823,261)
Gross profit	324,763	–	324,763	(77,070)	247,693
Other income and gains	29,896	–	29,896	(6,491)	23,405
Fair value gain on investment properties	35,417	22,000	57,417	–	57,417
Selling and distribution costs	(43,808)	–	(43,808)	1,049	(42,759)
Administrative expenses	(298,125)	933	(297,192)	57,877	(239,315)
Others*	266,485	–	266,485	–	266,485
	314,628	22,933	337,561	(24,635)	312,926
Finance costs	(28,881)	–	(28,881)	1,620	(27,261)
Share of profits and losses of associates	35,772	–	35,772	(68)	35,704
PROFIT BEFORE TAX	321,519	22,933	344,452	(23,083)	321,369
Tax	(18,164)	(1,709)	(19,873)	4,266	(15,607)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	303,355	21,224	324,579	(18,817)	305,762
DISCONTINUED OPERATIONS					
Profit for the year from discontinued operations	–	–	–	18,817	18,817
	303,355	21,224	324,579	–	324,579
Attributable to:					
Equity holders of the Company	312,363	21,224	333,587	–	333,587
Minority interests	(9,008)	–	(9,008)	–	(9,008)
	303,355	21,224	324,579	–	324,579
DIVIDENDS	29,699	–	29,699	–	29,699

* Represented the remaining balances which have not been restated for the year ended 31 December 2006.

2.2 BASIS OF PREPARATION

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

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

Basis of consolidation

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

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

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

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill or excess over the cost of business combination, whichever being appropriate.

2.3 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

(a) HKFRS 7 Financial Instruments: Disclosures

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

(b) Amendment to HKAS 1 Presentation of Financial Statements – Capital disclosures

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 55 to the financial statements.

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

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

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

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

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

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

2.4 EARLY OF ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

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

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

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

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

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

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

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

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

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments, to be accounted for as an equity-settled scheme, even if the Group acquires the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

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

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

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

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

2.6 SIGNIFICANT ACCOUNTING POLICIES

Merger accounting for business combinations under common control

Business combinations under common control are accounted for in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations". In applying merger accounting, financial statement items of the combining entities or businesses to which common control combination occurs are included in the consolidated financial statements as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

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

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

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

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

2.6 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

Associates

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

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

Goodwill

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

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

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

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

2.6 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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

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

Goodwill previously eliminated against consolidated retained profits

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

Excess over the cost of business combinations

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

Impairment of non-financial assets other than goodwill

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

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

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

2.6 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

(b) the party is an associate;

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

Leasehold land and buildings	over the shorter of the lease terms and 2% to 5%
Furniture and leasehold improvements	over the shorter of the lease terms, where applicable, and 20%
Machinery and equipment	10% to 25%
Moulds and tools	20% to 25%
Motor vehicles and vessels	20% to 25%

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

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

2.6 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

Investment properties

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

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

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

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

Non-current assets and disposal groups held for sale

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

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

Biological assets

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

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

2.6 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Agricultural produce

Agricultural produce comprises lychee and longan fruits of fruit trees.

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

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

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

Leases

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

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

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

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

Investments and other financial assets

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

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

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

2.6 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

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

Fair value

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

2.6 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

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

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

2.6 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

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

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

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

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

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

Derecognition of financial liabilities

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

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

Financial guarantee contracts

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

2.6 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

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

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

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

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

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

2.6 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

Revenue recognition

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

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

(b) service income and management fee income, when services are rendered;

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

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

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

2.6 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Pension schemes

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

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

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

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

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using a trinomial model, further details of which are given in note 44 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("Market Conditions"), if applicable.

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

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

2.6 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions (Continued)

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

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

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

Borrowing costs

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

Dividends

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

Foreign currencies

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

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

2.6 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

2.7 CHANGE IN ACCOUNTING ESTIMATES

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

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

	HK$'000
Decrease in deferred tax liabilities	(29,882)
Decrease in exchange fluctuation reserve	(1,127)
Increase in minority interests	2,199
Increase in retained profits	28,810
	–

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

	HK$'000
Decrease in deferred tax charges	28,810
Increase in minority interests	(2,120)
	26,690

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

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

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was HK$3,384,000 (2006: HK$21,445,000). More details are given in note 21 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 December 2007, no impairment losses have been recognised for available-for-sale financial assets (2006: Nil). The carrying amount of available-for-sale financial assets was HK$38,169,000 (2006 (restated): HK$36,554,000).

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

Estimation uncertainty *(Continued)*

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There was no deferred tax asset in respect of tax losses at 31 December 2007. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2006 was HK$6,989,000. Unrecognised tax losses at 31 December 2007 amounts to HK$279,562,000 (2006: HK$630,248,000). Further details are contained in note 42 to the financial statements.

4. SEGMENT INFORMATION

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

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

(a) the trading and manufacturing segment engages in trading and manufacturing of merchandises including toys, shoes and footwear products, leather products, motors, machinery and capacitors;

(b) the property investment and development segment is engaged in property investment and development;

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

(d) the investment holding segment comprises, principally, the Group's investment holding related management functions;

(e) the travel business segment is engaged in the sales of travel-related products and services which was discontinued during the year; and

(f) the information technology segment is engaged in information technology related business which was discontinued during the year.

In determining the Group's geographical segments, revenues are attributed to the segments based on the destination to which goods and services are delivered, and assets are attributed to the segments based on the location of the assets.

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

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

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

Group

	Continuing operations								Discontinued operations					
	Trading and manufacturing		Property investment and development		Agriculture and woods		Investment holding		Travel business		Information technology		Consolidated	
	2007	2006	**2007**	(Restated) 2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	(Restated) 2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:														
External sales	**2,072,032**	2,049,023	**39,931**	20,667	**1,399**	1,264	**–**	–	**1,481,589**	1,908,586	**40,683**	72,050	**3,635,634**	4,051,590
Segment results before gain/(loss) on disposal of discontinued operations	**75,761**	45,167	**142,400**	71,343	**125**	(1,520)	**17,968**	197,936	**25,177**	25,428	**(2,033)**	(793)	**259,398**	337,561
Gain/(loss) on disposal of discontinued operations	**–**	–	**–**	–	**–**	–	**–**	–	**(22,148)**	–	**12,470**	–	**(9,678)**	–
Segment results	**75,761**	45,167	**142,400**	71,343	**125**	(1,520)	**17,968**	197,936	**3,029**	25,428	**10,437**	(793)	**249,720**	337,561
Finance costs													**(25,776)**	(28,881)
Impairment of advances to an associate	**(10,500)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(10,500)**	–
Share of profits and losses of associates	**(12,895)**	(10,843)	**214,985**	46,547	**–**	–	**–**	–	**–**	–	**130**	68	**202,220**	35,772
Profit before tax													**415,664**	344,452
Tax													**(1,641)**	(19,873)
Profit for the year													**414,023**	324,579

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group

	Continuing operations								Discontinued operations					
	Trading and manufacturing		Property investment and development		Agriculture and woods		Investment holding		Travel business		Information technology		Consolidated	
	2007 HK$'000	2006 HK$'000 (Restated)	**2007 HK$'000**	2006 HK$'000 (Restated)	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000 (Restated)	**2007 HK$'000**	2006 HK$'000 (Restated)	**2007 HK$'000**	2006 HK$'000 (Restated)	**2007 HK$'000**	2006 HK$'000 (Restated)
Segments assets	**798,515**	1,025,839	**1,472,636**	1,142,653	**83,948**	70,008	**193,588**	111,935	**–**	202,501	**–**	54,276	**2,548,687**	2,607,212
Interests in associates	**6,920**	10,183	**296,697**	298,792	**–**	–	**–**	–	**–**	–	**–**	1,787	**303,617**	310,762
Due from associates	**21,192**	–	**212,853**	–	**–**	–	**–**	–	**–**	–	**–**	–	**234,045**	–
Non-current assets classified as held for sale	**–**	–	**–**	53,300	**–**	–	**–**	–	**–**	–	**–**	–	**–**	53,300
Unallocated corporate assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,855**	12,801
Total assets	**826,627**	1,036,022	**1,982,186**	1,494,745	**83,948**	70,008	**193,588**	111,935	**–**	202,501	**–**	56,063	**3,088,204**	2,984,075
Segments liabilities	**630,143**	675,117	**223,174**	200,676	**1,983**	3,364	**341,599**	350,189	**–**	164,027	**–**	29,949	**1,196,899**	1,423,322
Unallocated corporate liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**155,657**	163,147
Total liabilities	**630,143**	675,117	**223,174**	200,676	**1,983**	3,364	**341,599**	350,189	**–**	164,027	**–**	29,949	**1,352,556**	1,586,469

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group

	Continuing operations								Discontinued operations					
	Trading and manufacturing		Property investment and development		Agriculture and woods		Investment holding		Travel business		Information technology		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Other segment information:														
Capital expenditures	**39,918**	32,005	**41,840**	92,251	**2,041**	603	**–**	2	**577**	684	**491**	481	**84,867**	126,026
Depreciation and amortisation	**40,276**	48,729	**2,287**	408	**374**	631	**371**	474	**804**	1,655	**1,074**	1,627	**45,186**	53,524
Provision against obsolete inventories	**15,504**	12,252	**–**	–	**–**	–	**–**	–	**–**	–	**–**	502	**15,504**	12,754
Write-off of items of property, plant and equipment	**918**	2,868	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**918**	2,868
Impairment of construction in progress	**–**	–	**1,752**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,752**	–
Impairment losses in respect of land and buildings reversed in the income statement	**(2,393)**	(11,620)	**(176)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(2,569)**	(11,620)

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table provides an analysis of the Group's revenue and results by geographical market, irrespective of the origin of the goods and services:

	Segment revenue		Segment results	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
				(Restated)
The PRC including Hong Kong and Macau	**1,707,392**	2,135,280	**159,020**	249,025
The United States of America	**1,260,659**	1,271,311	**61,215**	69,405
Europe	**457,341**	471,780	**20,201**	18,075
Japan	**11,898**	18,087	**539**	(3,168)
Others	**198,344**	155,132	**8,745**	4,224
	3,635,634	4,051,590	**249,720**	337,561

The following is an analysis of the Group's segment assets and capital expenditures by the geographical area in which the assets are located:

	Segment assets		Capital expenditures	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		
Hong Kong	**902,185**	1,053,908	**6,165**	2,195
Other regions in Mainland China	**1,620,389**	1,529,078	**78,702**	123,813
Macau	**13**	369	**–**	–
Others	**26,100**	23,857	**–**	18
	2,548,687	2,607,212	**84,867**	126,026

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; the value of services rendered; and gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	2007 HK$'000	2006 HK$'000
Revenue		
Sale of merchandise from manufacturing and trading businesses	2,072,032	2,049,023
Rental income	39,931	20,667
Sale of agricultural produce	1,399	1,264
Revenue attributable to continuing operations	2,113,362	2,070,954
Sale of travel-related products	1,481,589	1,908,586
Sale of computer products and service income from related businesses	40,683	72,050
Revenue attributable to discontinued operations	1,522,272	1,980,636
	3,635,634	4,051,590
Other income		
Bank interest income	2,244	3,210
Interest income from associates	1,062	1,065
Interest income from an intermediate holding company	–	1,649
Dividend income from available-for-sale listed investments	350	832
Service fee	3,079	–
Others	917	1,866
	7,652	8,622
Gains		
Gain on disposal of items of property, plant and equipment	4,649	6,159
Write-back of impairment of advance to associates	1,871	–
Gain on waiver of loans and accrued interest	24,444	–
Others	9,542	8,624
	40,506	14,783
Other income and gains attributed to continuing operations	48,158	23,405
Other income and gains attributed to discontinued operations	2,736	6,491
	50,894	29,896

6. PROFIT BEFORE TAX

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

	2007 HK$'000	2006 HK$'000
Cost of inventories sold	**1,811,798**	1,823,260
Depreciation	**44,578**	52,774
Auditors' remuneration	**3,214**	3,452
Employee benefits expense (including directors' remuneration (*note* 8)):		
Wages and salaries		
Attributable to discontinued operations	**25,735**	63,844
Attributable to continuing operations reported in the consolidated income statement	**529,150**	449,917
Equity-settled share option expense	**12,737**	–
	567,622	513,761
Pension scheme contributions		
Attributable to discontinued operations	**1,344**	2,654
Attributable to continuing operations reported in the consolidated income statement	**10,398**	4,639
Less: Forfeited contributions	**(134)**	(321)
Net pension scheme contributions*	**11,608**	6,972
Total employee benefits expense		
Attributable to discontinued operations	**27,079**	66,498
Attributable to continuing operations reported in the consolidated income statement	**552,151**	454,235
	579,230	520,733
Decrease in biological assets due to harvest	**217**	664
Minimum lease payments under operating leases in respect of land and buildings		
Attributable to discontinued operations	**1,682**	2,158
Attributable to continuing operations reported in the consolidated income statement	**14,402**	12,502
	16,084	14,660

6. PROFIT BEFORE TAX *(Continued)*

	2007 HK$'000	2006 HK$'000
Gross rental income	**(39,931)**	(20,667)
Less: Direct operating expenses arising from rental-earning investment properties	**3,078**	2,144
Net rental income	**(36,853)**	(18,523)
Amortisation of prepaid land lease payments (*note 19*)	**608**	750
Provision against obsolete inventories (included in cost of sales)**	**15,504**	12,754
Write-off of items of property, plant and equipment	**918**	2,868
(Write-back of impairment)/impairment of trade receivables, net (note 27)	**(398)**	1,442
Impairment of construction in progress (note 20)	**1,752**	–

* At 31 December 2007 and 2006, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in futures years.

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

7. FINANCE COSTS

	Group	
	2007 HK$'000	2006 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable:		
Within five years	**21,379**	24,924
Over five years	**1,582**	1,444
Interest on finance leases	**551**	902
Interest on the amount due to a fellow subsidiary	**1,460**	1,611
Interest on the amount due to an intermediate holding company	**730**	–
Interest on promissory notes	**74**	–
	25,776	28,881
Attributable to discontinued operations (*note 12*)	**1,216**	1,620
Attributable to continuing operations reported in the consolidated income statement	**24,560**	27,261
	25,776	28,881

8. DIRECTORS' REMUNERATION

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

	Group	
	2007	2006
	HK$'000	HK$'000
Fees	**240**	213
Other emoluments:		
Salaries, allowances and benefits in kind	**3,021**	2,520
Discretionary bonuses	**500**	–
Share option benefits	**4,328**	–
Pension scheme contributions	**120**	117
	7,969	2,637
	8,209	2,850

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 44 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant, and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

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

	2007	2006
	HK$'000	HK$'000
Mr. Chiu Sin Chun	**50**	50
Mrs. Tse Wong Siu Yin, Elizabeth	**50**	20
Ms. Li Yuen Yu, Alice	**50**	50
Mr. Lee Wai Choi, Albert *	**–**	3
	150	123

* Resigned on 19 April 2006

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

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Share option benefits HK$'000
2007					
Executive directors:					
Mr. Ng Hung Sang	10	720	–	36	–
Ms. Cheung Choi Ngor	10	720	–	36	1,893
Mr. Richard Howard Gorges	10	977	–	36	–
Mr. Ng Yuk Fung, Peter	10	604	500	12	2,435
	40	3,021	500	120	4,328
Non-executive director:					
Ms. Ng Yuk Mui, Jessica	50	–	–	–	–
	90	3,021	500	120	4,328

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000
2006				
Executive directors:				
Mr. Ng Hung Sang	10	720	–	36
Ms. Cheung Choi Ngor	10	720	–	36
Mr. Richard Howard Gorges	10	720	–	36
Mr. Ng Yuk Fung, Peter	10	360	–	9
	40	2,520	–	117
Non-executive director:				
Ms. Ng Yuk Mui, Jessica	50	–	–	–
	90	2,520	–	117

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

9. FIVE HIGHEST PAID EMPLOYEES

Of the five highest paid employees of the Group, two (2006: none) were directors of the Company whose emoluments are included in note 8 above. Details of the remuneration of the remaining three (2006: five) non-director, highest paid employees for the year are as follows:

	2007	2006
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**5,741**	7,170
Pension scheme contributions	**120**	136
Discretionary bonuses	**1,329**	497
Share option benefits	**2,511**	–
	9,701	7,803

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

	Number of employees	
	2007	2006
HK$1,000,001 to HK$1,500,000	**–**	3
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
	3	5

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

	2007	2006
	HK$'000	HK$'000
		(Restated)
Group:		
Current – Hong Kong		
Charge for the year	**1,498**	4,587
Under-provision in prior years	**(140)**	3,492
Current – Mainland China		
Charge for the year	**3,602**	3,413
Under-provision in prior years	**(433)**	90
Deferred tax (*note* 42)	**(2,886)**	8,291
Total tax charge for the year	**1,641**	19,873

10. TAX *(Continued)*

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

	Group	
	2007	2006
	HK$'000	HK$'000
		(Restated)
Profit before tax (including profit from discontinued operations)	**415,664**	344,452
Tax at the applicable tax rate	**72,741**	60,279
Profits and losses attributable to associates	**(35,388)**	(6,260)
Expenses not deductible for tax	**30,741**	25,397
Income not subject to tax	**(40,777)**	(68,443)
Adjustments in respect of current tax of previous periods	**(573)**	3,582
Tax losses arising from previous periods recognised	**–**	(261)
Tax losses utilised from previous periods	**(5,804)**	(7,864)
Tax losses not recognised	**4,987**	15,665
Effect of different tax rates of subsidiaries operating in Mainland China	**(24,286)**	(2,222)
Total tax charge for the year	**1,641**	19,873

	2007	2006
	HK$'000	HK$'000
Represented by:		
Tax charge attributable to operations classified as discontinued during 2007 (*note 12*)	**4,498**	4,266
Tax charge/(credit) attributable to continuing operations reported in the consolidated income statement	**(2,857)**	15,607
	1,641	19,873

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

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 includes a profit of HK$40,920,000 (2006: loss of HK$10,875,000) which has been dealt with in the financial statements of the Company (note 45 (b)).

12. DISCONTINUED OPERATIONS

On 25 July 2007, the Company announced the decision of its board to dispose of the entire interest in Four Seas Travel (BVI) Limited ("FS Travel"), an indirectly wholly-owned subsidiary of the Company at that time and the entire interest in Southchinanet.com (BVI) Limited ("SCN"), an indirectly wholly-owned subsidiary of the Company at that time to SCH's subsidiaries. FS Travel and SCN engage in travel business and information technology business and are separate business segments that are part of the Mainland China and Hong Kong operations.

The Group had ceased the information technology business and travel business because such restructure will allow the Group to concentrate and foster its resources and expertise in the property investment and development, trading and manufacturing and agriculture and woods operations. The disposal of SCN and FS Travel was completed on 23 August 2007.

The results of FS Travel and SCN for the period up to the date of disposal are presented below:

	2007			
	FS Travel	**SCN**	**Total**	2006
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
Revenue (*note* 5)	**1,481,589**	**40,683**	**1,522,272**	1,980,636
Other income and gains (*note* 5)	**1,892**	**844**	**2,736**	6,491
Cost and expenses, net	**(1,458,304)**	**(43,560)**	**(1,501,864)**	(1,962,492)
Finance costs (*note* 7)	**(721)**	**(495)**	**(1,216)**	(1,620)
Share of profits and losses of associates	**–**	**130**	**130**	68
Profit before tax from the discontinued operations	**24,456**	**(2,398)**	**22,058**	23,083
Tax (*note* 10)	**(4,480)**	**(18)**	**(4,498)**	(4,266)
	19,976	**(2,416)**	**17,560**	18,817
Loss on disposal of subsidiaries			**(9,678)**	–
Profit for the year from the discontinued operations			**7,882**	18,817

The assets and liabilities of FS Travel and SCN had been disposed of during the year.

The net cash flows incurred by FS Travel and SCN are as follows:

	2007			
	FS Travel	**SCN**	**Total**	2006
	HK$'000	**HK$'000**	**HK$'000**	HK$'000
Operating activities	**(46,200)**	**(4,417)**	**(50,617)**	31,727
Investing activities	**(555)**	**(98)**	**(653)**	9,815
Financing activities	**(817)**	**4,013**	**3,196**	(24,805)
Net cash inflow/(outflow)	**(47,572)**	**(502)**	**(48,074)**	16,737
Earnings per share:				
Basic, from the discontinued operations			**0.3 cent**	0.7 cent
Diluted, from the discontinued operations			**0.3 cent**	–

12. DISCONTINUED OPERATIONS *(Continued)*

The calculations of basic and diluted earnings per share from the discontinued operations are based on:

	2007	2006
Profit attributable to ordinary equity holders of the parent from the discontinued operations	**HK$8,324,000**	HK$17,785,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,651,734,214**	2,651,673,710
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**2,828,451,957**	–

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

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

At 31 December 2006, the Group's non-current assets classified as held for sale with a value of HK$28,000,000 were pledged and mortgaged to secure general banking facilities and bank loans granted to the Group (note 37).

14. DIVIDENDS

	2007	2006
	HK$'000	HK$'000
Interim – HK1.0 cent (2006: Nil) per ordinary share	**26,517**	–
Proposed final – HK1.0 cent (2006: HK1.12 cents) per ordinary share	**26,519**	29,699
	53,036	29,699

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

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

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$413,820,000 (2006 (restated): HK$333,587,000), and the weighted average number of 2,651,734,000 (2006: 2,651,674,000) ordinary shares in issue during the year.

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

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

	2007 HK$'000	2006 HK$'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:		
From continuing operations	405,496	315,802
From discontinued operations	8,324	17,785
	413,820	333,587

	Number of shares	
	2007 '000	2006 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	2,651,734	2,651,674
Effect of dilution – weighted average number of ordinary shares:		
Warrants	176,718	–
	2,828,452	2,651,674

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

Diluted earnings per share amounts for the year ended 31 December 2006 had not been disclosed, as there were no warrants and share options issued in 2006.

The weighted average number of shares for both years for the purpose of calculating the basic and diluted earnings per share have been adjusted to reflect the effect of share subdivision as set out in note 43.

16. BIOLOGICAL ASSETS

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

Quantities of fruit trees:

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

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

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

16. BIOLOGICAL ASSETS *(Continued)*

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

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

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

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

17. PROPERTY, PLANT AND EQUIPMENT

Group **31 December 2007**	**Leasehold land and buildings** HK$'000	**Furniture and leasehold improvements** HK$'000	**Machinery and equipment** HK$'000	**Moulds and tools** HK$'000	**Motor vehicles and vessels** HK$'000	**Total** HK$'000
At 31 December 2006 and at 1 January 2007:						
Cost or valuation	220,032	205,000	235,207	20,084	22,038	702,361
Accumulated depreciation and impairment	(31,947)	(170,338)	(165,353)	(11,459)	(17,588)	(396,685)
Net carrying amount	188,085	34,662	69,854	8,625	4,450	305,676
At 1 January 2007, net of accumulated depreciation and impairment	188,085	34,662	69,854	8,625	4,450	305,676
Adjusted for the acquisition of SCL	–	68	649	–	–	717
Additions	10,369	12,441	16,284	868	4,110	44,072
Acquisition of subsidiaries (*note* 46)	4,244	–	738	–	74	5,056
Assets included in discontinued operations (*note* 47)	(10,694)	(1,168)	(4,047)	–	(361)	(16,270)
Disposal of a subsidiary (*note* 47)	(2,116)	(1,998)	(10,306)	(6,070)	(75)	(20,565)
Disposals/write-offs	(465)	(21)	(1,314)	(1)	(344)	(2,145)
Reclassification	–	(504)	504	–	–	–
Write-back of impairment loss	2,569	–	–	–	–	2,569
Transfer to investment properties, net (*note* 18)	(70,924)	–	–	–	–	(70,924)
Depreciation provided during the year (*note* 6)	(8,922)	(13,918)	(18,222)	(1,110)	(2,406)	(44,578)
Exchange realignment	1,670	64	1,493	–	110	3,337
Fair value adjustment	28,107	–	–	–	–	28,107
At 31 December 2007, net of accumulated depreciation and impairment	141,923	29,626	55,633	2,312	5,558	235,052

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

Group

31 December 2007	**Leasehold land and buildings** HK$'000	**Furniture and leasehold improvements** HK$'000	**Machinery and equipment** HK$'000	**Moulds and tools** HK$'000	**Motor vehicles and vessels** HK$'000	**Total** HK$'000
At 31 December 2007:						
Cost or valuation	199,265	202,702	236,855	10,852	21,797	671,471
Accumulated depreciation and impairment	(57,342)	(173,076)	(181,222)	(8,540)	(16,239)	(436,419)
Net carrying amount	141,923	29,626	55,633	2,312	5,558	235,052
Analysis of cost or valuation:						
At cost	151,756	202,702	236,855	10,852	21,797	623,962
At 31 December 1988 valuation	31,112	–	–	–	–	31,112
At 31 December 1989 valuation	5,220	–	–	–	–	5,220
At 31 December 1992 valuation	204	–	–	–	–	204
At 31 December 1994 valuation	10,973	–	–	–	–	10,973
	199,265	202,702	236,855	10,852	21,797	671,471

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

Group	Leasehold land and buildings HK$'000	Furniture and leasehold improvements HK$'000	Machinery and equipment HK$'000	Moulds and tools HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
31 December 2006						
At 31 December 2005 and at 1 January 2006:						
Cost or valuation	209,775	226,720	242,518	12,718	23,662	715,393
Accumulated depreciation and impairment	(51,100)	(192,316)	(185,096)	(9,444)	(18,490)	(456,446)
Net carrying amount	158,675	34,404	57,422	3,274	5,172	258,947
At 1 January 2006, net of accumulated depreciation and impairment	158,675	34,404	57,422	3,274	5,172	258,947
Additions	–	11,492	16,632	369	1,097	29,590
Acquisition of subsidiaries (*note* 46)	47,674	5,329	14,671	10,027	815	78,516
Disposals/write-offs	(2,203)	(3,622)	(1,165)	(285)	(201)	(7,476)
Reclassification	(432)	432	–	–	–	–
Write-back of impairment loss	11,620	–	–	–	–	11,620
Transfer to investment properties, net (*note* 18)	(21,145)	–	–	–	–	(21,145)
Depreciation provided during the year (*note* 6)	(13,143)	(13,609)	(18,803)	(4,760)	(2,459)	(52,774)
Exchange realignment	2,260	236	1,097	–	26	3,619
Fair value adjustment	1,571	–	–	–	–	1,571
Transfer from construction in progress (*note* 20)	3,208	–	–	–	–	3,208
At 31 December 2006, net of accumulated depreciation and impairment	188,085	34,662	69,854	8,625	4,450	305,676
At 31 December 2006:						
Cost or valuation	220,032	205,000	235,207	20,084	22,038	702,361
Accumulated depreciation and impairment	(31,947)	(170,338)	(165,353)	(11,459)	(17,588)	(396,685)
Net carrying amount	188,085	34,662	69,854	8,625	4,450	305,676
Analysis of cost or valuation:						
At cost	172,523	205,000	235,207	20,084	22,038	654,852
At 31 December 1988 valuation	31,112	–	–	–	–	31,112
At 31 December 1989 valuation	5,220	–	–	–	–	5,220
At 31 December 1992 valuation	204	–	–	–	–	204
At 31 December 1994 valuation	10,973	–	–	–	–	10,973
	220,032	205,000	235,207	20,084	22,038	702,361

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

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

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong:		
Medium term leases	**47,812**	47,005
Long term leases	**–**	16,107
Taiwan:		
Freehold	**–**	1,160
Mainland China:		
Medium term land use rights	**59,586**	92,367
In the process of applying land use rights	**34,525**	31,446
	141,923	188,085

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

During the year, the Group has transferred certain leasehold land and buildings of HK$70,924,000 at fair value, to investment properties (2006: HK$21,145,000).

The net book values of the items of property, plant and equipment held under finance leases and hire purchase contracts are summarised below:

	2007	2006
	HK$'000	HK$'000
Furniture and leasehold improvements	**32**	3,157
Machinery and equipment	**10,344**	20,348
Moulds and tools	**–**	189
Motor vehicles	**–**	1,116
	10,376	24,810

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

Had land and buildings been carried at cost less accumulated depreciation and impairment losses, the net book value of the Group's land and buildings at 31 December 2007 would have been approximately HK$82,459,000 (2006: HK$153,828,000).

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

At 31 December 2007, certain of the Group's leasehold land and buildings and machinery and equipment with a net book value of approximately HK$33,255,000 (2006: HK$97,406,000) and HK$8,997,000 (2006: HK$648,000) respectively, were pledged to secure banking facilities granted to the Group (note 37).

18. INVESTMENT PROPERTIES

	Group	
	2007	2006
	HK$'000	HK$'000
		(Restated)
Carrying amount at 1 January	**819,146**	379,121
Transfer from land and buildings, net (*note 17*)	**70,924**	21,145
Transfer from/(to) non-current assets classified as held for sale (*note 13*)	**53,300**	(53,300)
Transfer from prepaid land lease payments (*note 19*)	**8,223**	–
Addition from acquisition of subsidiaries (*note 46*)	**35,270**	449,771
Disposals	**–**	(35,257)
Net profit from a fair value adjustment	**103,603**	57,417
Exchange realignment	**31,875**	249
Carrying amount at 31 December	**1,122,341**	819,146

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

	Group	
	2007	2006
	HK$'000	HK$'000
		(Restated)
Hong Kong:		
Long term lease	**122,350**	64,100
Medium term leases	**329,377**	275,307
	451,727	339,407
Taiwan:		
Freehold	**26,100**	22,000
Mainland China:		
Short term lease	**2,385**	–
Medium term leases	**642,129**	457,739
	644,514	457,739
	1,122,341	819,146

18. INVESTMENT PROPERTIES *(Continued)*

The Group's investment properties were revalued on 31 December 2007 by BMI Appraisals Limited, independent professionally qualified valuers, at HK$1,122,341,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 51(a) to the financial statements.

At 31 December 2007, the Group's investment properties with a value of HK$453,719,000 (2006: HK$188,344,000) were pledged and mortgaged to secure general banking facilities and bank loans granted to the Group (note 37).

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

Further particulars of the Group's investment properties are included on page 123 to 127.

19. PREPAID LAND LEASE PAYMENTS

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at 1 January	**31,973**	18,433
Exchange realignment	**161**	–
Additions	**–**	64
Acquisition of subsidiaries (*note* 46)	**329**	14,226
Disposal of a subsidiary (*note* 47)	**(3,119)**	–
Recognised during the year (*note* 6)	**(608)**	(750)
Transfer to investment properties (*note* 18)	**(8,223)**	–
Carrying amount at 31 December	**20,513**	31,973
Current portion included in prepayments, deposits and other receivables	**(486)**	(1,018)
Non-current portion	**20,027**	30,955

The leasehold lands are held under medium term leases and are situated in Mainland China.

20. CONSTRUCTION IN PROGRESS

	Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount at 1 January	**208,737**	97,162
Exchange realignment	**15,664**	4,658
Acquisition of subsidiaries (*note* 46)	**–**	13,753
Additions	**40,795**	96,372
Impairment loss (*note* 6)	**(1,752)**	–
Transfer to property, plant and equipment (*note* 17)	**–**	(3,208)
Carrying amount at 31 December	**263,444**	208,737

21. GOODWILL

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January:		
Cost	**22,070**	8,497
Accumulated impairment	**(625)**	(625)
Net carrying amount	**21,445**	7,872
Carrying amount at 1 January	**21,445**	7,872
Acquisition of subsidiaries (*note* 46)	**2,010**	13,573
Disposal of subsidiaries (*note* 47)	**(20,071)**	–
At 31 December	**3,384**	21,445
At 31 December:		
Cost	**3,384**	22,070
Accumulated impairment	**–**	(625)
Net carrying amount	**3,384**	21,445

The amount of goodwill remaining in the consolidated reserves, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, was HK$3,067,000 (2006: HK$3,067,000) as at 31 December 2007.

Impairment testing of goodwill

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

- Property investment and development cash generating unit; and
- Toy and footwear products cash-generating unit.

21. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Property investment and development cash-generating unit

The recoverable amount of the property investment and development cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 16.4% and cash flows beyond the five-year period are extrapolated using a growth rate of 5.0% which are the same as the long term average growth rate of the property investment and development industry.

Toy and footwear products cash-generating unit

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

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

	2007	2006
	HK$'000	HK$'000
Cash-generating unit:		
Property investment and development	**2,010**	–
Toy and footwear products	**1,374**	14,947
Travel business	–	2,994
Information technology	–	3,504
	3,384	21,445

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

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

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

22. INTERESTS IN SUBSIDIARIES

	Company 2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	**234,018**	234,018
Due from subsidiaries	**794,237**	668,719
	1,028,255	902,737

Except for the amounts due from subsidiaries totalling HK$81,105,000 as at 31 December 2006, which bear interest at the Hong Kong dollar prime rate plus 4% per annum, the amounts due from subsidiaries are unsecured, interest-free and are not repayable within twelve months from the balance sheet date. The carrying amounts of these amounts due from subsidiaries are approximate to their fair values.

The amounts due to subsidiaries included in the Company's non-current liabilities of HK$496,006,000 (2006: HK$293,110,000) are unsecured, interest-free and are not repayable within twelve months from the balance sheet date. The carrying amounts of these amounts due to subsidiaries are approximate to their fair values.

Details of the Company's principal subsidiaries are set out in note 59 to the financial statements.

23. INTERESTS IN ASSOCIATES

	Group 2007 HK$'000	2006 HK$'000
Share of net assets:		
Unlisted associates	**291,562**	93,589
Advances to associates	**23,255**	217,950
Amounts due to associates	**–**	(77)
Provision for impairment#	**(11,200)**	(700)
	12,055	217,173
	303,617	310,762

During the year, the Group acquired an additional 41.7% interest in Nanjing South China Power Capacitors Co., Ltd. ("SC Power Capacitors"), a then 51% owned associate of the Group, indirectly through the acquisition of an 85% interest in Power Capacitors. Subsequent to the acquisition, SC Power Capacitors became an indirectly-owned subsidiary of the Company. Further details of the acquisition are included in note 46 to the financial statements.

\# An impairment was recognised for the advances to an associate as the associate has incurred loss and its future profit stream is uncertain.

23. INTERESTS IN ASSOCIATES *(Continued)*

The movement in the provision for impairment of advances to associates are as follows

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

Except for the amount due from Firm Wise Investment Limited ("FWIL") of HK$212,853,000 (2006: HK$213,651,000) which bears interest at a rate of 0.5% (2006: 0.5%) per annum, the amounts with associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, advances to associates of HK$23,255,000 (2006: 217,950,000) are not repayable within twelve months from the balance sheet date and are classified in the balance sheet as non-current accordingly. The net carrying amounts of the balances with associates are approximate to their fair values.

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

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

	2007	2006
	HK$'000	HK$'000
Assets	**2,617,367**	1,790,219
Liabilities	**1,628,377**	1,506,416
Turnover	**113,002**	87,267
Profit	**705,187**	155,617

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

Other associates

	2007	2006
	HK$'000	HK$'000
Assets	**112,047**	108,197
Liabilities	**123,035**	86,204
Turnover	**86,324**	16,210
Loss	**(35,105)**	(7,382)

Details of the principal associates are set out in note 60 to the financial statements.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007	2006
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at fair value	–	15,896
Club debentures	**35,865**	18,513
Unlisted equity investments, at cost	**2,304**	2,145
	38,169	36,554

In 2006, the fair value gain of the Group's listed equity securities recognised directly in equity amounts to HK$5,248,000 of which HK$282,000 was removed from equity and recognised in income statement. During the year, the fair value gain of the Group's club debentures recognised directly in equity amounts to HK$17,580,000 (2006: Nil) and no impairment in respect of the Group's debentures was recognised in the consolidated income statement (2006: Nil).

The above investments consist of the investments in equity securities and club debentures which were designated as available-for-sale investments.

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

25. OTHER NON-CURRENT ASSETS

Other non-current assets represent berths owned by the Group which are stated at cost less impairment, at HK$16,666,000 as at 31 December 2007 (2006: HK$16,666,000).

26. INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**168,036**	217,739
Work in progress	**95,348**	136,437
Finished goods	**75,119**	84,059
	338,503	438,235
Provision against obsolete inventories	**(75,537)**	(84,806)
	262,966	353,429

At 31 December 2007, the Group's inventories with a value of HK$144,027,000 (2006: HK$102,688,000) were pledged to secure general banking facilities granted to the Group (note 37).

27. TRADE RECEIVABLES

	Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	**197,194**	334,377
Impairment	**(61,483)**	(65,078)
	135,711	269,299

The Group's trading terms with its customers are on credit with credit periods ranging from period of one to three months depending on a number of factors including trade practices, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The carrying amount of the trade receivables is approximate to its fair value.

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

	Group	
	2007	2006
	HK$'000	HK$'000
Within 90 days	**115,373**	248,313
91 to 180 days	**15,654**	16,097
181 to 365 days	**2,288**	2,564
Over 365 days	**2,396**	2,325
	135,711	269,299

27. TRADE RECEIVABLES *(Continued)*

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

	2007 HK$'000	2006 HK$'000
At 1 January	**65,078**	64,138
Exchange realignment	**222**	115
Impairment losses recognised (*note* 6)	**914**	3,671
Amount written off as uncollectible	**–**	(617)
Impairment loss reversed (*note* 6)	**(1,312)**	(2,229)
Disposal of subsidiary	**(3,419)**	–
	61,483	65,078

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivable of HK$61,483,000 (2006: HK$65,078,000) with a carrying amount of HK$61,483,000 (2006: HK$65,078,000). The individually impaired trade receivables relate to customers that were in default or delinquent in paying. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2007 HK$'000	2006 HK$'000
Within 90 days	**115,373**	248,313
91 to 180 days	**15,654**	16,097
181 to 365 days	**2,288**	2,564
Over 365 days	**2,396**	2,325
	135,711	269,299

Receivables not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The carrying amounts of the Group's and Company's prepayments, deposits and other receivables are approximate to their fair values.

The financial assets included in the above balances relate to receivables for which there was no recent history of default.

29. DUE FROM/(TO) A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due from/(to) a minority shareholder of a subsidiary is unsecured, interest-free and are repayable on demand. The carrying value of the amount due from/(to) a minority shareholder of a subsidiary is approximate to its fair value.

30. DUE FROM/(TO) FELLOW SUBSIDIARIES

Except for the amount due to an fellow subsidiary of HK$15,859,000 (2006: Nil), which carries interest at 4% over the Hong Kong dollar prime rate, the amounts due from/(to) fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying values of the amounts due from/(to) fellow subsidiaries are approximate to their fair values.

31. DUE FROM AN INTERMEDIATE HOLDING COMPANY

The amount due from an intermediate holding company is unsecured, interest-free (2006: carried interest at Hong Kong dollar prime rate less 2%) and has no fixed repayment terms. The carrying value of the amount due from an intermediate holding company is approximate to its fair value.

32. DUE FROM/(TO) RELATED COMPANIES/PARTIES

Certain directors of the related companies and related parties are also the directors of the Group. The amounts due from/(to) related companies/parities of the Group are unsecured, interest-free and have no fixed terms of repayment. The carrying values of the amounts due from/(to) related companies/parties are approximate to their fair values.

33. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at market value	**54,513**	49,548

The above equity investments at 31 December 2007 were classified as held for trading. The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK$39,626,000.

34. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**162,235**	249,838	**158**	272
Time deposits	**–**	17,025	**–**	–
	162,235	266,863	**158**	272
Less: Pledged time deposits:				
Pledged for letter of guarantee	**–**	(11,880)	**–**	–
Cash and cash equivalents	**162,235**	254,983	**158**	272

34. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(Continued)*

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$42,969,000 (2006: HK$60,581,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

35. TRADE AND BILLS PAYABLES

	Group	
	2007	2006
	HK$'000	HK$'000
Trade payables	**263,857**	503,127
Bills payable	**3,777**	7,145
	267,634	510,272

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

	Group	
	2007	2006
	HK$'000	HK$'000
Within 90 days	**223,491**	438,242
91 to 180 days	**24,507**	41,922
181 to 365 days	**5,199**	11,285
Over 365 days	**10,660**	11,678
	263,857	503,127

The trade payables are non-interest-bearing and normally settled on 90-day terms. The carrying amounts of the trade and bills payables are approximate to their fair values.

36. OTHER PAYABLES AND ACCRUALS

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

37. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2007 HK$'000	Group 2006 HK$'000	Company 2007 HK$'000	Company 2006 HK$'000
Current						
Finance lease payables (*note* 38)	2.75 – 6.94	2008	**3,809**	7,095	**–**	–
Bank overdrafts – secured	7.00 – 8.00	On demand	**16,448**	5,780	**–**	–
Bank loans – unsecured	8.80 – 10.08	2008	**4,793**	17,938	**–**	–
Bank loans – secured	3.45 – 7.50	2008	**183,473**	170,094	16,116	64,463
Trust receipt loans – secured	4.43 – 6.75	2008	**144,027**	102,688	**–**	–
			352,550	303,595	**16,116**	64,463
Non-current						
Finance lease payables (*note* 38)	2.75 – 6.94	2009	**1,449**	5,353	**–**	–
Bank loans – secured	3.45 – 7.50	2009-2017	**179,685**	128,481	**–**	16,116
			181,134	133,834	**–**	16,116
			533,684	437,429	**16,116**	80,579
Analysed into:						
Bank loans and overdrafts repayable:						
Within one year or on demand			**348,741**	296,500	**16,116**	64,463
In the second year			**76,889**	47,984	**–**	16,116
In the third to fifth years, inclusive			**40,957**	72,757	**–**	–
Over five years			**61,839**	7,740	**–**	–
			528,426	424,981	**16,116**	80,579
Finance leases repayable:						
Within one year or on demand			**3,809**	7,095	**–**	–
In the second year			**1,449**	3,896	**–**	–
In the third to fifth years, inclusive			**–**	1,457	**–**	–
			5,258	12,448	**–**	–
			533,684	437,429	**16,116**	80,579

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

Notes:

(a) At the balance sheet date, the Group's bank loans of approximately HK$363,158,000 (2006: HK$298,575,000) and other banking facilities of approximately HK$144,027,000 (2006: HK$102,688,000) are secured by:

(i) pledges and mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying value at the balance sheet date of approximately HK$453,719,000 (2006: HK$188,344,000)(note 18);

(ii) pledges and mortgages over the Group's leasehold land and buildings, which had an aggregate carrying value at the balance sheet date of approximately HK$33,255,000 (2006: HK$97,406,000)(note 17);

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

(iv) in prior year, pledges over the Group's non-current assets classified as held for sale which had an aggregate carrying value of approximately HK$28,000,000 (note 13); and

(v) charges over the Group's machinery and equipment, which had an aggregate carrying value at the balance sheet date of approximately HK$8,997,000 (2006: HK$648,000)(note 17);

(b) Except for secured bank loans with an aggregate amount of HK$1,883,000 (2006: HK$9,370,000) and HK$16,116,000 (2006: HK$80,579,000), which are denominated in Renminbi and United States dollars respectively, all other secured borrowings are in Hong Kong dollars. An unsecured bank loan of HK$4,793,000 (2006: Nil) is denominated in Renminbi.

The carrying amounts of the Group's and the Company's borrowings are approximate to their fair values. The fair value of borrowings are estimated to be the present value of future cash flows, discounted at prevailing interest rates at 31 December 2007.

38. FINANCE LEASE PAYABLES

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

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

Group	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**3,990**	7,674	**3,809**	7,095
In the second year	**1,483**	4,124	**1,449**	3,896
In the third to fifth years, inclusive	**–**	1,496	**–**	1,457
Total minimum finance lease payments	**5,473**	13,294	**5,258**	12,448
Future finance charges	**(215)**	(846)		
Total net finance lease payables	**5,258**	12,448		
Portion classified as current liabilities (*note* 37)	**(3,809)**	(7,095)		
Non-current portion (*note* 37)	**1,449**	5,353		

39. ADVANCES FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

The advances from minority shareholders of subsidiaries are unsecured and interest-free. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore disclosed in the balance sheet as non-current. The carrying amounts of the advances from minority shareholders of subsidiaries are approximate to their fair values

40. PROVISION FOR SEVERANCE PAYMENT

	Group	
	2007	2006
	HK$'000	HK$'000
At 1 January	**32,601**	–
Exchange realignment	**2,431**	–
Acquisition of subsidiary (*note* 46)	**7,500**	32,754
Amounts utilised during the year	**(1,273)**	(153)
At 31 December	**41,259**	32,601
Portion classified as current liabilities	**–**	–
Non-current portion	**41,259**	32,601

The provision for severance payment arose from the acquisition of 87% interest in Weifen in 2006 and 85% interest in Power Capacitors in 2007 under the relevant regulations in Mainland China.

41. PROMISSORY NOTES

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

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

42. DEFERRED TAX

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

Deferred tax liabilities

Group

	Accelerated tax depreciation HK$'000	Revaluation of properties HK$'000	Losses available for offset against future taxable profits HK$'000	Total HK$'000
At 1 January 2006:				
As previously reported	7,523	10,292	(6,353)	11,462
Adjusted for the Acquisition	409	4,105	(3,662)	852
As restated	7,932	14,397	(10,015)	12,314
Exchange realignment	(154)	–	–	(154)
Deferred tax charged/(credited) to the income statement	(1,271)	7,225	(1,907)	4,047
Acquisition of a subsidiary (*note* 46)	–	115,869	–	115,869
At 31 December 2006	6,507	137,491	(11,922)	132,076
At 1 January 2007:				
As previously reported	6,087	129,535	(6,107)	129,515
Adjusted for the Acquisition	420	7,956	(5,815)	2,561
As restated	6,507	137,491	(11,922)	132,076
Exchange realignment	(196)	6,699	–	6,503
Deferred tax charged/(credited) to the income statement	6,899	(11,772)	(2,494)	(7,367)
Deferred tax charged to land and buildings revaluation reserve	2,900	–	–	2,900
At 31 December 2007	16,110	132,418	(14,416)	134,112

42. DEFERRED TAX *(Continued)*

Deferred tax assets

Group	Loss available for offset against future taxable profits HK$'000
At 1 January 2006	(11,233)
Deferred tax charged to the income statement	4,244
Deferred tax assets at 31 December 2006	(6,989)
Deferred tax charged to the income statement	4,481
Disposal of a subsidiary (*note* 47)	2,508
Deferred tax assets at 31 December 2007	–

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

	Group		Company	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Tax losses	**279,562**	630,248	**26,436**	28,364

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

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

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

43. SHARE CAPITAL

Shares

	Number of shares	Amount
		HK$'000
Authorised:		
Share of HK$0.1 each at 1 January 2007	1,000,000,000	100,000
Share subdivision (*note a*)	4,000,000,000	–
Share of HK$ 0.02 each at 31 December 2007	5,000,000,000	100,000

	Number of shares	Amount
		HK$'000
Issued and fully paid:		
Share of HK$0.1 each at 1 January 2007	530,334,742	53,033
Share subdivision (*note a*)	2,121,338,968	–
Warrants exercised (*note b*)	207,016	5
Share of HK$ 0.02 each at 31 December 2007	2,651,880,726	53,038

Notes:

(a) On 21 August 2007, ordinary resolutions were passed to approve the subdivision of each of the existing issued and unissued shares of HK$0.1 each in the share capital of the Company into five shares of HK$0.02 each (the "Subdivided Shares"). Immediately after the share subdivision, the authorised share capital of the Company comprised 2,651,673,710 issued Subdivided Shares and 2,348,326,290 unissued Subdivided Shares of HK$0.02 each.

(b) 207,016 shares of HK$0.02 each were issued for cash at a subscription price of HK$0.4 per share pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of HK$83,000.

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

	Number of shares in issue	Issued share capital	Share premium account	Total
		HK$'000	HK$'000	HK$'000
At 1 January 2006, 31 December 2006 and 1 January 2007	530,334,742	53,033	193,410	246,443
Share subdivision	2,121,338,968	–	–	–
Warrants exercised	207,016	5	78	83
At 31 December 2007	2,651,880,726	53,038	193,488	246,526

43. SHARE CAPITAL *(Continued)*

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 44 to the financial statements.

Warrants

During the year, a bonus issue of warrants was made in the proportion of one warrant for every 5 shares held by members on the register of members on 29 August 2007, resulting in 530,334,742 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.02 at a subscription price of HK$0.40 per share, payable in cash and subject to adjustment, from the date of issue to 6 September 2010.

During the year, 207,016 warrants were exercised for 207,016 shares of HK$0.02 each at a price of HK$0.40 per share. At the balance sheet date, the Company had 530,127,726 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 530,127,726 additional shares of HK$0.02 each.

44. SHARE OPTION SCHEMES

The directors and employees of the Company and its subsidiaries are entitled to participate in a share option scheme operated by the Company. Details of the scheme of the Company and SCL are as follows:

(a) Purpose of the share option scheme

In order to provide the Company and SCL with a flexible means of giving incentives to or rewarding to the participants for their contribution to the Company and to enable the Company to attract and retain employees of appropriate qualifications and with necessary experience to work for the company and any entity in which any member of the Group holds equity interests (the "Invested Entity"), the shareholders of the Company and SCL have approved the adoption of the respective share option schemes at the annual general meetings held on 31 May 2002 and 24 June 2002 respectively.

(b) Participants of the share option scheme

1. According to the Company's share option scheme, the board may, at its absolute discretion, grant options to any person belonging to any of the following classes of participants to subscribe for shares:

   (i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or substantial shareholder;

   (ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or substantial shareholder;

   (iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or substantial shareholder;

   (iv) any shareholder of any member of the Group or any Invested Entity or substantial shareholder or any holder of any securities issued by any member of the group or any Invested Entity or substantial shareholder;

   (v) any business partner, consultant or contractor of any member of the Group or any Invested Entity or substantial shareholder;

44. SHARE OPTION SCHEMES *(Continued)*

(b) Participants of the share option schemes *(Continued)*

1. *(Continued)*

    (vi) any supplier of goods or services to any member of the Group or any Invested Entity or substantial shareholder;

    (vii) any customer of any member of the Group or any Invested Entity or substantial shareholder;

    (viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or substantial shareholder; and

    (ix) any company wholly owned by one or more persons belonging to any of the above classes of participants.

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

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

The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the share option schemes of the Company and SCL shall not exceed 30% (or such other percentage as may be allowed under the Listing Rules and all other applicable laws and regulations) of the total number of shares in issue from time to time.

A total of 162,467,371 shares of the Company are available for issue under its share option scheme, which represents 6.13% of the issued share capital of the Company as at the date of this report.

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

(d) Maximum entitlement of each participant

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

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

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

44. SHARE OPTION SCHEMES *(Continued)*

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

There is no specific requirement under the share option schemes of the Company and SCL that an option must be held for any minimum period before it can be exercised, but the terms of the Share Option Scheme provide that the board has the discretion to impose a minimum period at the time of grant of any particular option.

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

An amount of HK$1 for each lot of share options granted is payable upon acceptance of the options within 5 business days from the date of offer of the option.

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

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

(i) Remaining life of the share option schemes

Subject to early termination of the share option schemes of the Company and SCL pursuant to the terms thereof, the share option schemes of the Company and SCL will be valid and effective for a period of 10 years commencing on the date on which it became unconditional on 18 June 2002 and 18 July 2002 respectively.

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

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

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

44. SHARE OPTION SCHEMES *(Continued)*

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

	Number of share options									Price of the Company's shares ***	
Name or category of participant	Outstanding as at 1 January 2007	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2007	Date of grant of share options* (DD/MM/YY)	Exercise period of share options (DD/MM/YY)	Subscription price per share ** HK$	Immediately preceding the grant date of share options HK$ per share	Immediately preceding the exercise date of share options HK$ per share
Directors of the Company											
Ms. Cheung Choi Ngor	–	8,666,666	–	–	–	8,666,666	18/09/2007	18/09/2008 to 17/09/2017	1.500	0.900	N/A
	–	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2009 to 17/09/2017	1.500	0.900	N/A
	–	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2010 to 17/09/2017	1.500	0.900	N/A
Mr. Ng Yuk Fung, Peter	–	8,666,666	–	–	–	8,666,666	18/09/2007	18/09/2008 to 17/09/2017	1.500	0.900	N/A
	–	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2009 to 17/09/2017	1.500	0.900	N/A
	–	8,666,667	–	–	–	8,666,667	18/09/2007	18/09/2010 o 17/09/2017	1.500	0.900	N/A
Sub-total	–	52,000,000	–	–	–	52,000,000					
Consultants In aggregate	–	1,399,999	–	–	–	1,399,999	18/09/2007	18/09/2008 to 17/09/2017	1.500	0.900	N/A
	–	1,399,999	–	–	–	1,399,999	18/09/2007	18/09/2009 to 17/09/2017	1.500	0.900	N/A
	–	1,400,002	–	–	–	1,400,002	18/09/2007	18/09/2010 to 17/09/2017	1.500	0.900	N/A
Sub-total	–	4,200,000	–	–	–	4,200,000					
Employees of the Group# In aggregate	–	15,799,997	–	(200,000)	–	15,599,997	18/09/2007	18/09/2008 to 17/09/2017	1.500	0.900	N/A
	–	15,799,998	–	(200,000)	–	15,599,998	18/09/2007	18/09/2009 to 17/09/2017	1.500	0.900	N/A
	–	15,800,005	–	(200,000)	–	15,600,005	18/09/2007	18/09/2010 to 17/09/2017	1.500	0.900	N/A
	–	3,833,332	–	–	–	3,833,332	25/09/2007	25/09/2008 to 24/09/2017	1.500	0.790	N/A
	–	3,833,332	–	–	–	3,833,332	25/09/2007	25/09/2009 to 24/09/2017	1.500	0.790	N/A
	–	3,833,336	–	–	–	3,833,336	25/09/2007	25/09/2010 to 24/09/2017	1.500	0.790	N/A
Sub-total	–	58,900,000	–	(600,000)	–	58,300,000					
Total	–	115,100,000	–	(600,000)	–	114,500,000					

44. SHARE OPTION SCHEMES *(Continued)*

Notes:

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

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

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

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

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

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

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

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

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

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

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

No share option were exercised during the year.

At the balance sheet date, the Company had 114,500,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 114,500,000 additional ordinary shares of the Company and additional share capital of HK$2,290,000 and share premium of HK$169,460,000 (before issue expenses).

44. SHARE OPTION SCHEMES *(Continued)*

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

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

Notes:

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

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

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

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

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

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

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

44. SHARE OPTION SCHEMES *(Continued)*

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

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

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

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

45. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 29 to 30 of the financial statements.

(b) Company

	Share premium account HK$'000	**Capital redemption reserve** HK$'000	**Contributed surplus** HK$'000	**Share option reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2006	193,410	223	195,775	–	99,809	489,217
Loss for the year	–	–	–	–	(10,875)	(10,875)
Proposed final dividend	–	–	–	–	(29,699)	(29,699)
At 31 December 2006 and 1 January 2007	193,410	223	195,775	–	59,235	448,643
Warrants exercised	78	–	–	–	–	78
Profit for the year	–	–	–	–	40,920	40,920
Interim dividend paid	–	–	–	–	(26,517)	(26,517)
Recognisition of equity-settled share based compensation	–	–	–	10,787	–	10,787
Proposed final dividend	–	–	–	–	(26,519)	(26,519)
At 31 December 2007	193,488	223	195,775	10,787	47,119	447,392

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

The Company's reserves available for distribution represent the share premium, contributed surplus, share option reserve and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association and provided that immediately following the distribution 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 2007 amounted to approximately HK$447,169,000 (2006: HK$448,420,000).

46. BUSINESS COMBINATIONS

On 16 April 2007, the Group acquired an 85% interest in 南京電力電容器有限公司 ("Power Capacitors") from a holding company of a joint venture partner of a former associate. Power Capacitors is engaged in property investment and manufacturing of power capacitors. The purchase consideration for the acquisition was in the form of cash of RMB1,211,500. Subsequent to the acquisition, the Group has control on SC Power Capacitors with an effective interest of 92.7%.

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

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

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

46. BUSINESS COMBINATIONS *(Continued)*

	Fair value recognised on acquisition Power Capacitors HK$'000	Fair value recognised on acquisition Grandbase HK$'000
Goodwill on acquisition (note 21)	1,637	373
	7,510	–
Satisfied by:		
Cash	1,231	–
Reclassification from interests in associate to interests in subsidiary	6,279	–
	7,510	–

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

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

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

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

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

In prior year, the Group had the following business combinations:

In prior year, the Group acquired an 87% interest in 南京微分電機有限公司 ("Weifen") from a holding company of a joint venture partner of a former associate. Weifen is engaged in property investment. The purchase consideration for the acquisition was in the form of cash of RMB 41,655,000. Subsequent to the acquisition, the Group has control on Nanjing South China Dafang Electric Co., Ltd., a then 51% owned associate of the Group, with an effective interest of 93.6% therein.

In prior year, the Group also acquired an additional 52.8% interest in Nority International Group Limited ("NIG"), a then associate of the Group listed on the Hong Kong Stock Exchange. NIG is engaged in manufacturing of shoes and footwear products. The purchase consideration for the acquisition was in the form of cash of HK$67,310,000.

46. BUSINESS COMBINATIONS *(Continued)*

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

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

46. BUSINESS COMBINATIONS *(Continued)*

	Fair value recognised on acquisition NIG	**Fair value recognised on acquisition Weifen**
	HK$'000	HK$'000
Goodwill on acquisition (note 21)	13,573	–
Excess over the cost of business combinations	–	(154,005)
	120,636	93,945
Satisfied by:		
Cash	67,310	40,727
Reclassification from interests in associates to interests in subsidiaries	53,326	53,218
	120,636	93,945

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

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

In prior year, the Group acquired an additional 31.8% interest in Wah Shing International Holdings Limited ("Wah Shing"), a subsidiary of the Group previously listed on the Singapore Exchange Securities Trading Limited, after approval for the privatisation of Wah Shing in February 2006. Wah Shing then became a wholly owned subsidiary of the Group. Wah Shing was principally engaged in the trading and manufacturing of toys and footwear, securities investments and property investment and development. The total purchase consideration for the acquisition was in the form of cash of HK$78,361,000 and the excess over the cost of acquisition of HK$87,303,000 was recognised in the consolidated income statement.

Since the acquisition on 1 September 2006, Weifen contributed a profit of HK$91,000 to the Group's consolidated profit for the year ended 31 December 2006.

Since the acquisition of the controlling stake in March 2006, NIG contributed a loss of HK$34,105,000 to the Group's consolidated profit for the year ended 31 December 2006. Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit for the year would have been HK$4,106,032,000 and HK$296,453,000, respectively.

47. DISPOSAL OF INTERESTS IN SUBSIDIARIES

During the year, the Group disposed of its entire interest in NIG to an independent third party. Further details have been set out in the Company's circular dated 18 December 2006.

As further detailed in note 2.1 to this financial statement, the Group disposed of its entire equity interest in FS Travel and SCN. Further details have been set out in the Company's circular dated 25 July 2007.

	Notes	**NIG** HK$'000	**FS Travel** HK$'000	**SCN** HK$'000	**Express News Management** HK$'000
Net assets disposed of:					
Property, plant and equipment	17	20,565	2,848	13,422	–
Prepaid land lease payments	19	3,119	–	–	–
Goodwill	21	13,573	2,994	3,504	–
Interests in associates		–	–	1,529	–
Available-for-sale financial assets		228	–	–	–
Deferred tax assets		–	2,508	–	–
Cash and bank balances		21,935	34,979	2,521	–
Pledged bank deposits		–	12,580	–	–
Inventories		28,916	380	11,878	–
Trade receivables		13,526	116,160	14,845	–
Prepayments and other receivables		2,848	17,896	15,412	–
Due from fellow subsidiaries		–	2,345	300	–
Due from a minority shareholder of a subsidiary		–	–	912	–
Trade payables		(26,515)	(82,846)	(17,436)	(150)
Accruals and other payables		(14,033)	(22,852)	(8,698)	(6)
Interest-bearing bank and other borrowings		–	(30,144)	(13,542)	(9)
Due to fellow subsidiaries		(14,988)	–	(51)	–
Due to an intermediate holding company		(10,000)	–	–	–
Tax payable		(1,005)	–	–	–
Minority interests		(1,130)	–	(8,664)	–
		37,039	56,848	15,932	(165)
Exchange reserve realized		–	–	(1,102)	–
Gain/(loss) on disposal of subsidiaries	12	65,791	(22,148)	12,470	165
		102,830	34,700	27,300	–
Satisfied by:					
Cash		101,905	–	–	–
Interests in associate		925	–	–	–
Amount due from an intermediate holding company		–	34,700	27,300	–
		102,830	34,700	27,300	–

47. DISPOSAL OF INTERESTS IN SUBSIDIARIES *(Continued)*

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

	NIG HK$'000	**FS Travel** HK$'000	**SCN** HK$'000
Cash consideration	101,905	–	–
Cash and bank balances disposed of	(21,935)	(34,979)	(2,521)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	79,970	(34,979)	(2,521)

Prior to the disposal, FS Travel and SCN contributed a profit of HK$19,975,000 and a loss of HK$2,416,000 in aggregate to the Group's consolidated profit for the year ended 31 December 2007, respectively. NIG was disposed of in early January 2007, and did not have significant contribution to the Group's consolidated profit for the year ended 31 December 2007.

48. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

Promissory notes of HK$95,959,000 were issued for the acquisition of 67.66% interest in SCL.

In 2006, additions to plant and equipment financed by new finance leases amount to HK$7,026,000 in aggregate. None of the additions to plant and equipment was financed by new finance lease in current year.

49. CONTINGENT LIABILITIES

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

	Group		**Company**	
	2007 **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000
Guarantees given to banks in connection with banking facilities granted to:				
FWIL	**210,000**	210,000	**–**	–
Subsidiaries	**–**	–	**934,600**	906,300
Undertaking given to a former associate for banking facilities utilised by the former associate	**13,526**	13,526	**13,526**	13,526
	223,526	223,526	**948,126**	919,826

As at 31 December 2007, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$508,968,000 (2006: HK$349,464,000), and the banking facilities guaranteed by the Group to FWIL were utilised to the extent of approximately HK$191,850,000 (2006: HK$203,100,000).

50. PLEDGE OF ASSETS

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

	2007 HK$'000	2006 HK$'000
Net book value of pledged assets:		
Property, plant and machinery	42,252	98,054
Investment properties	453,719	188,344
Non-current assets classified as held for sale	–	28,000
Inventories	144,027	102,688
Bank deposits	–	11,880
	639,998	428,966

51. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 18 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from two to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	Group	
	2007 HK$'000	2006 HK$'000
Within one year	30,194	24,663
In the second to fifth years, inclusive	70,764	60,946
Over five years	17,279	30,300
	118,237	115,909

51. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its factory premises and office properties under operating lease arrangements. Leases for these factory premises are negotiated for terms ranging from three months to 10 years, and those for office properties are for terms of one to two years.

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

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**8,692**	10,011
In second to fifth years, inclusive	**27,997**	28,244
Over five years	**59,562**	66,747
	96,251	105,002

52. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 51(b) above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2007	2006
	HK$'000	HK$'000
Contracted but not provided for:		
Machinery and equipment	**9,089**	8,468
Motor vehicles	**–**	156
Construction in progress	**18,588**	–
Investment in equity interest	**15,977**	–
	43,654	8,624
Authorised but not contracted for:		
Machinery and equipment	**1,702**	6,816

53. RELATED PARTY TRANSACTIONS

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

	Notes	2007 HK$'000	2006 HK$'000
Transactions with fellow subsidiaries:			
Rental income received*	(i)	**3,845**	4,122
Brokerage fee paid*	(i)	**1,227**	582
Interest expense paid*	(iii)	**1,595**	1,611
Air tickets and travel related services purchased*	(i)	**1,148**	–
Transactions with an intermediate holding company:			
Interest income received*	(iv)	**–**	1,649
Interst expense paid*	(vi)	**730**	–
Transactions with associates:			
Interest income received	(v)	**1,062**	1,065
Rental income received	(i)	**2,719**	–
Management fee received	(ii)	**2,000**	–
Transactions with related companies:			
Honbridge Management Limited (formerly Jessica Management Limited)#			
Rental income received	(i)	**306**	283

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

Notes:

(i) These transactions were charged at prevailing market rates.

(ii) The transaction was carried out on terms determined and agreed by both parties.

(iii) The interest expense was charged at prevailing market lending rates on short term borrowings from a fellow subsidiary.

(iv) The interest was charged at the Hong Kong dollar prime rate less 2% per annum on the balance due from an intermediate holding company.

(v) The interest was charged at a rate of 0.5% per annum on the outstanding advances to FWIL.

(vi) The interest expense was charged at 6% per annum on the advances from an intermediate holding company.

(b) Other transactions with related parties:

(i) During the year, the Group disposed of certain businesses including the travel business and information and technology business, to SCH, and acquired certain businesses, including investment holding of berth, club debentures and investment properties from SCH in return. Further details of the transaction are included in note 2.1 and note 4 to the financial statements.

(ii) Details of a guarantee given by the Group to FWIL are set out in note 49 to the financial statements.

53. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties:

Details of the balances with related parties at the balance sheet date are included in notes 22, 23, 30, 31 and 32 to the financial statements.

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

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

* The related party transactions also constitute exempted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

54. FINANCIAL INSTRUMENTS BY CATEGORY

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

2007 **Group**

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available – for-sale HK$'000	Total HK$'000
Advances to associates (*note* 23)	–	12,055	–	12,055
Available-for-sale financial assets	–	–	38,169	38,169
Trade receivables	–	135,711	–	135,711
Financial assets included in prepayments, deposits and other receivables	–	108,455	–	108,455
Due from a minority shareholder of a subsidiary	–	12,561	–	12,561
Due from fellow subsidiaries	–	8,887	–	8,887
Due from an intermediate holding company	–	709	–	709
Due from associates	–	234,045	–	234,045
Financial assets at fair value through profit or loss	54,513	–	–	54,513
Cash and bank balances	–	162,235	–	162,235
	54,513	674,658	38,169	767,340

54. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2007

Financial liabilities

	Group
	Financial liabilities at amortised cost HK$'000
Trade and bills payables	**267,634**
Other payables and accruals	**173,635**
Interest-bearing bank and other borrowings	**533,684**
Advances from minority shareholders of subsidiaries	**53,704**
Due to fellow subsidiaries	**17,128**
Due to related parties	**13,098**
Promissory notes	**95,959**
	1,154,842

54. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

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

2006
Financial Assets

	Group			
	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available–for-sale HK$'000	Total HK$'000
Advances to associates (*note* 23)	–	217,250	–	217,250
Available-for-sale financial assets	–	–	36,554	36,554
Trade receivables	–	269,299	–	269,299
Financial assets included in prepayments, deposits and other receivables	–	76,625	–	76,625
Due from a minority shareholder of a subsidiary	–	12,963	–	12,963
Due from fellow subsidiaries	–	30,562	–	30,562
Due from an intermediate holding company	–	714	–	714
Due from related companies	–	361	–	361
Financial assets at fair value through profit or loss	49,548	–	–	49,548
Pledged bank deposits	–	11,880	–	11,880
Cash and bank balances	–	254,983	–	254,983
	49,548	874,637	36,554	960,739

2006
Financial liabilities

	Group
	Financial liabilities at amortised cost HK$'000
Due to associates (*note* 23)	77
Trade and bills payables	510,272
Other payables and accruals	203,707
Interest-bearing bank and other borrowings	437,429
Advances from minority shareholders of subsidiaries	52,951
Due to fellow subsidiaries	7,429
	1,211,865

54. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

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

Financial assets	Company Loans and receivables	
	2007	2006
	HK$'000	HK$'000
Due from subsidiaries (*note* 22)	**794,237**	668,719
Due from an intermediate holding company	**650**	755
Other receivables	**10,750**	2,030
Cash and bank balances	**158**	272
	805,795	671,776

Financial liabilities	Company Financial liabilities at amortised cost HK$'000	
	2007	2006
Interest-bearing bank borrowings	**16,116**	80,579
Due to subsidiaries (*note* 22)	**496,006**	293,110
Other payables	**742**	730
	512,864	374,419

55. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

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

	Change in basis point	**Group Change in profit before tax**
		HK$'000
2007		
Hong Kong dollar	**50**	**2,690**
RMB	**50**	**44**
United States dollar	**50**	**228**
2006		
Hong Kong dollar	50	513
RMB	50	15
United States dollar	50	248

Foreign currency risk

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

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

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

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

	Group	
	Increase/ (decrease) in foreign currency rate	Increase/ (decrease) in profit before tax
	%	HK$'000
2007		
If Hong Kong dollar weakens against:		
RMB	**5%**	**(1,572)**
If Hong Kong dollar strengthens against:		
RMB	**5%**	**1,572**
2006		
If Hong Kong dollar weakens against:		
RMB	5%	(2,987)
If Hong Kong dollar strengthens against:		
RMB	5%	2,987

As at 31 December 2007, the Company did not have significant exposure to foreign currency risk.

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, equity investments at fair value through profit or loss and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 49 to the financial statements.

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

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

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

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, finance leases and other interest-bearing loans. The Group's policy is that not more than 90% of borrowings should mature in any 12-month period. 83% of the Group's debts would mature in less than one year as at 31 December 2007 (2006: 87%) based on the carrying value of borrowings reflected in the financial statements.

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

Group	**2007**					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Trade and bills payables	**28,260**	**132,624**	**96,090**	**10,660**	**–**	**267,634**
Other payables and accruals	**28,263**	**73,913**	**71,459**	**–**	**–**	**173,635**
Interest-bearing bank and other borrowings	**16,448**	**152,185**	**183,917**	**119,295**	**61,839**	**533,684**
Due to fellow subsidiaries	**16,167**	**961**	**–**	**–**	**–**	**17,128**
Due to related parties	**–**	**13,098**	**–**	**–**	**–**	**13,098**
Advances from minority shareholders of subsidiaries	**–**	**–**	**2,128**	**51,576**	**–**	**53,704**
Promissory notes	**–**	**–**	**–**	**95,959**	**–**	**95,959**
	89,138	**372,781**	**353,594**	**277,490**	**61,839**	**1,154,842**

Group	2006					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Due to associates	–	–	–	77	–	77
Interest-bearing bank and other borrowings	5,780	164,235	133,580	126,094	7,740	437,429
Trade and bills payables	46,342	358,853	93,399	11,678	–	510,272
Other payables and accruals	72,842	98,567	32,298	–	–	203,707
Advances from minority shareholders of subsidiaries	–	–	–	52,951	–	52,951
Due to fellow subsidiaries	–	–	–	7,429	–	7,429
	124,964	621,655	259,277	198,229	7,740	1,211,865

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

Liquidity risk *(Continued)*

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

Company	**2007**					
	On demand HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Interest-bearing bank borrowings	–	**16,116**	–	–	–	**16,116**
Other payables	–	**742**	–	–	–	**742**
Due to an intermediate holding company	–	–	–	–	–	–
Due to subsidiaries	–	–	–	**496,006**	–	**496,006**
	–	**16,858**	–	**496,006**	–	**512,864**

Company	2006					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interest-bearing bank and other borrowings	–	16,116	48,347	16,116	–	80,579
Other payables	–	730	–	–	–	730
Due to subsidiaries	–	–	–	293,110	–	293,110
	–	16,846	48,347	309,226	–	374,419

Equity price risk

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

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

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

Equity price risk *(Continued)*

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

		Carrying amount of equity investments HK$'000	Change in profit before tax HK$'000	Change in equity HK$'000
2007				
Investments listed in:				
Hong Kong	– Available-for sale	–	–	–
	– Held-for-trading	**54,513**	**5,451**	–
2006				
Investments listed in:				
Hong Kong	– Available-for sale	15,896	–	1,590
	– Held-for-trading	49,548	4,955	–

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the two years ended 31 December 2007.

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

Group

	2007 **HK$000**	2006 HK$000
Interest-bearing bank and other borrowings	**533,684**	437,429
Less: Cash and cash equivalents	**(162,235)**	(254,983)
Net debt	**371,449**	182,446
Capital	**1,735,648**	1,397,606
Capital and net debt	**2,107,097**	1,580,052
Gearing ratio	**17.6%**	11.5%

56. POST BALANCE SHEET EVENTS

In January 2008, the Group acquired:

a) the entire interest in 南京第二壓縮機廠, which is engaged in manufacturing of compressor and property holding, at cash consideration of approximately RMB28,528,000;

b) the entire interest in 南京電機廠, which is engaged in property holding and trading of flowers, at cash consideration of approximately RMB25,261,000; and

c) 85% interest in 南京液壓件二廠, which is engaged in property holding, and has a 49% owned associate engaged in manufacturing of hydraulic press, at cash consideration of approximately RMB1,994,000 from the holding company of the joint venture partners of certain 51% owned associates of the Group.

As the acquirees are in the process of preparing the completion accounts, it is impracticable to disclose information about income statements, assets, liabilities, contingent liabilities and goodwill.

Subsequent to the balance sheet date, on 9 January 2008, a vendor transferred 4,000,000 SCL shares to the Group at a consideration of HK$1,120,000, which was settled by the issue of a promissory note with coupon rate of 2% per annum. Upon completion of the transaction, the Group's shareholding in SCL increased from 67.69% to 68.48%.

57. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, certain comparative amounts have been adjusted to conform with the current year's presentation and to show separately comparative amounts in respect of items disclosed in 2007 in relation to the Acquisition accounted for by merger accounting and the discontinued operations.

58. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 15 April 2008.

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2007 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Copthorne Holdings Corp.	Republic of Panama/ Hong Kong	US$200	100%	Property investment
Eastand Investments Ltd.	Hong Kong	HK$2	100%	Investment holding
Ever Talent Limited *	Hong Kong	HK$1	67.69%	Investment holding
Everwin Toys (Dongguan) Company Limited (note d)	The PRC/ Mainland China	HK$22,500,000	100%	Manufacturing of toys
First City Limited	Hong Kong	HK$10,000	100%	Property investment
Glorious Dragon Investments Ltd.	Hong Kong	HK$2	100%	Property investment
Guangdong Huaxing Fruit Development Co. Ltd. (note d)	The PRC/ Mainland China	US$7,500,000	100%	Fruit plantation
Liaoning Dafa Real Estate Company Limited* (note c)	The PRC/ Mainland China	RMB202,000,000	54.15%	Real estate development
Micon Limited	Hong Kong	HK$2	100%	Investment holding
Nanjing Power Capacitors Co., Ltd (note c)	The PRC/ Mainland China	RMB1,425,400	85%	Property investment
Nanjing South China Power Capacitors Co., Ltd (note c)	The PRC/ Mainland China	RMB26,500,000	92.65%	Property investment
Nanjing South China Dafang Electric Co., Ltd. (note c)	The PRC/ Mainland China	RMB77,550,000	93.63%	Property investment
Nanjing Weifen Machinery Co., Ltd (note c)	The PRC/ Mainland China	RMB29,035,500	87%	Property investment
Nority Development Limited*	British Virgin Islands	US$2	100%	Property holding
Prime Prospects Limited	Hong Kong	HK$100,000	70%	Property investment
Shineway Footwear Limited	Hong Kong	HK$500,000	100%	Trading of shoes
Skychance Group Limited	British Virgin Islands	US$1	100%	Investment holding
South China Industries (BVI) Limited (note a)	British Virgin Islands	US$1,000	100%	Investment holding

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
South China Land Limited* (Listed on the GEM of Stock Exchange)	Cayman Islands/ Hong Kong	HK$5,064,983	67.69%	Investment holding
South China Leesheng Sporting Goods Co., Limited	Hong Kong	HK$2	100%	Trading of sports products
South China Shoes Products Company Limited	Hong Kong	HK$500,000	100%	Trading of shoes
South China Strategic Limited	Hong Kong	HK$308,593,789	100%	Investment holding
South China Strategic Property Development Limited	Hong Kong	HK$5,000,000	100%	Property development and investment holding
Spark-Inn Investments Limited	Hong Kong	HK$2	100%	Property investment
Strategic Finance Limited	Hong Kong	HK$2	100%	Provision of financing services
Tianjin South China Leather Chemical Products Co. Ltd. (note c)	The PRC/ Mainland China	RMB20,516,500	80%	Manufacturing of leather products
Tianjin South China Li Sheng Sporting Goods Co. Ltd. (note c)	The PRC/ Mainland China	RMB10,213,600	80%	Manufacturing of sports products
Tianjin South China Shoes Products Co. Ltd. (note c)	The PRC/ Mainland China	RMB36,100,200	80%	Manufacturing of footwear products
Wah Heng Toys (Shenzhen) Company Limited (note d)	The PRC/ Mainland China	US$8,000,000	100%	Manufacturing of toys
Wah Shing Electronics Company Limited	Hong Kong/ Mainland China	HK$571,500	70%	Manufacturing and trading of toys
Wah Shing Toys Company Limited	Hong Kong	HK$2 Ordinary HK$3,020,002 Non-voting deferred (note b)	100%	Trading of toys and investment holding

* Not audited by Ernst & Young Hong Kong or other member firms of the Ernst & Young global network.

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

a. Except South China Industries (BVI) Limited, the principal subsidiaries of the Group are all held indirectly by the Company.

b. The non-voting deferred shares have no voting rights and practically no entitlement to dividend of profit or distribution on winding up.

c. These are sino-foreign equity joint ventures established in the PRC.

d. These are wholly-foreign-owned enterprises established in the PRC.

The above summary lists only the subsidiaries of the Group which, in the opinion of the Company's directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

60. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31 December 2007 are as follows:

Name	Place of incorporation and operation	Class of share held	Percentage of equity interest indirectly held by the Group	Principal activity
FWIL*	Hong Kong	Ordinary	30%	Property investment
Nority Limited*	Hong Kong/ Mainland China	Ordinary	35%	Manufacturing of footwear products

The financial statements of the associates are coterminous with those of the Group, except for FWIL which has a financial year end date of 30 June.

The Group's shareholdings in the associates all comprise equity shares held through wholly-owned subsidiaries of the Company.

The above summary lists only the associates of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of the other associates would, in the opinion of the directors, result in particulars of excessive length.

* Not audited by Ernst & Young Hong Kong or other member firms of the Ernst & Young global network.

Summary Of Financial Information

31 December 2007

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
REVENUE	**2,113,362**	2,070,954	3,971,834	3,470,171	3,119,145
PROFIT BEFORE TAX	**415,664**	344,452	270,864	137,227	106,223
TAX	**(1,641)**	(19,873)	(28,263)	(2,931)	(8,974)
PROFIT FOR THE YEAR	**414,023**	324,579	242,601	134,296	97,249
ATTRIBUTABLE TO:					
Equity holders of the Company	**413,820**	333,587	208,953	114,345	70,502
Minority interests	**203**	(9,008)	33,648	19,951	26,747
	414,023	324,579	242,601	134,296	97,249

ASSETS, LIABILITIES AND MINORITY INTERESTS

	At 31 December				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
TOTAL ASSETS	**3,088,204**	2,984,075	2,168,696	1,890,295	1,777,316
TOTAL LIABILITIES	**(1,352,556)**	(1,586,469)	(987,749)	(915,890)	(886,529)
MINORITY INTERESTS	**(93,853)**	(93,992)	(223,224)	(199,059)	(218,098)
	1,641,795	1,303,614	957,723	775,346	672,689

Details of the Properties

A. INVESTMENT PROPERTIES

Location	Group's interest	Existing use
Units A, B, C and D on 2nd Floor Units A, B, C and D on 3rd Floor Units A, B, C and D on 4th Floor Units A and D on 10th Floor Units A, B, C and D on 12th Floor Unit C and D on 13th Floor Car Parking Space Nos. 7, 18 and 19 and Lorry Parking Space Nos 3, 12, 13, 21, 25 and 26 Wah Shing Centre 5 Fung Yip Street Chaiwan, Hong Kong	100%	Industrial and carparking
Units J and L on 2nd Floor Private Car Parking Space Nos. G20 and G22 and Lorry Parking Space Nos. L3 and L4 on Ground Floor Kaiser Estate 2nd Phase Nos. 47-53 Man Yue Street Nos. 20-28 Man Lok Street Hunghom, Kowloon, Hong Kong	100%	Industrial and carparking
Unit A and B, Ground Floor Cheung Wah Industrial Building Nos. 10-12 Shipyard Lane Quarry Bay Hong Kong	100%	Commercial
1st Floor of Block G Kimberley Mansion No. 15 Austin Avenue Tsimshatsui Kowloon Hong Kong	100%	Commercial and residential
Unit 14 on 6th Floor Nan Fung Commercial Centre No. 19 Lam Lok Street Kowloon Bay, Kowloon Hong Kong	100%	Commercial

A. INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
Flats A, B, C and D on 1st Floor Fu Fung Building Nos. 5-7 Tsing Fung Street North Point Hong Kong	100%	Commercial
Unit A on Ground Floor Mai Luen Industrial Building Nos. 23-31 Kung Yip Street Kwai Chung New Territories Hong Kong	100%	Industrial
2nd Floor No. 10A Austin Avenue Tsim Sha Tsui Kowloon Hong Kong	100%	Residential
Units A, B and C on 7th Floor and the three lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
Unit A, B and C on 8th Floor and the three lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
Units B and C on 9th Floor and the two lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial

A. INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
Unit No. 78 on 2nd Floor Houston Centre No. 63 Mody Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
Unit Nos. 4, 5, 6, 7 and 8 on 3rd Floor Houston Centre No. 63 Mody Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
The Second Floor and External Walls Metropole Building Nos. 53-63 Peking Road and Nos. 12, 12A, 12B & 12C Hankow Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
Unit No 1022 on 10th Floor, Nan Fung Centre Nos. 264-298 Castle Peak Road and Nos. 64-98 Sai Lau Kok Road Tsuen Wan New Territories Hong Kong	100%	Commercial
Four Seas Jade Centre Nos. 530, 532, 534 and 536 Canton Road Yau Ma Tei Kowloon Hong Kong	100%	Commercial
The whole of 4th Floor McDonald's Building Nos. 46-54 Yee Wo Street Causeway Bay Hong Kong	100%	Commercial
The Whole Block Nos. 18-20 Ming Fung Street Wong Tai Sin Kowloon Hong Kong	100%	Residential/ commercial

A. INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
The 1st floor and 2nd floor and the four lavatories thereof On Lok Yuen Building Nos. 25, 27 & 27A Des Voeux Road Central Hong Kong	100%	Commercial
Unit C on 15th Floor World Trade Plaza Wusi Road Fuzhou, Fujian Province The PRC	100%	Commercial
Grand Hotel Four Seas Kai Cheung Da Dao Danshui Huiyang City, Guangdong Province The PRC	100%	Commercial
Unit 22A of Tower 1 Unit 23B of Tower 2 and 16 Car Parking Spaces La SeVilla, Fahuazhen Lu Changning District, Shanghai The PRC	100%	Residential and carparking
Unit 2 on Level 15, Unit 1 on Level 24 and portion of Basement 2 No. 303 Zhong Ming Road South West District Taichung City Taiwan	100%	Commercial
No. 1-1 Mokeng Lane Mingjian Township Nantou County Taiwan	100%	Industrial
Level 1, Unit 2 on Level 2 One carparking space and One motorcycle parking space In Basement 2, No. 28-5 Section 1 Zhiyou Road West District Taichung City Taiwan	100%	Commercial and carparking

A. INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
Nority Industrial Building, No. 4 Xiaobian Industrial District Changan Town Dougguan City Guangdong Province The PRC	100%	Industrial
Various buildings and a land parcel located at No. 28 Yunan North Road No. 2 Shi Zi Qiao, Gulou District Nanjing City, Jiangsu Province The PRC	87%	Commercial
A building and a land parcel located at No. 32 Shi Zi Qiao, Gulou District Nanjing City, Jiangsu Province The PRC	87%	Commercial
Various buildings and two land parcels located at No. 36 Zhe Fang Road Baixia District Nanjing City Jiangsu Province The PRC	87%	Commercial
A land parcel located at No. 292 Sheng Zhou Road Jianye District Nanjing City Jiangsu Province The PRC	85%	Commercial
Various buildings erected upon a land parcel located at No. 292 Sheng Zhou Road Jianye District Nanjing City Jiangsu Province The PRC	92.65%	Commercial
Various buildings erected upon a land parcel at No. 10 Suo Street Jianye District Nanjing City Jiangsu Province The PRC	92.65%	Commercial

B. CONSTRUCTION IN PROGRESS

Location	Type	Stage of completion	Anticipated completion date	Group's attributable interest	Approximate gross floor area	Approximate site area
South China Landmark Plaza, a development site located at the Western side of Zhaoyang Street, Shenhe District, Shenyang, Liaoning Province, the PRC	Commercial	Soldier piles and excavation works	2009	54.15%	117,200 sq. m.	21,893.5 sq. m.