South China (China) Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 413

Annual Report **2010**

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. Law Albert Yu Kwan

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL 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 Co., Ltd.
Dah Sing Bank, Limited
Bank of China Limited

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

413

WEBSITE

http://www.scchina.co

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 2010.

FINANCIAL SUMMARY

The Group recorded revenue of HK$2.6 billion for the year ended 31 December 2010, representing an increase of 39.9% over the results of 2009. Profit attributable to shareholders increased 7.7% to HK$412.8 million in the same period.

DIVIDEND

The directors recommend the payment of a final dividend of HK1.00 cent (2009: HK1.00 cent) per share, which amounted to approximately HK$29.89 million (2009: HK$29.71 million) in respect of the year ended 31 December 2010 to the shareholders whose names appear on the register of members of the Company on 31 May 2011.

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 5 July 2011.

BUSINESS REVIEW

The principal businesses of the Group include trading and manufacturing, property investment and development and agriculture.

In August 2009, the Group distributed its interest in South China Land Limited 南華置地有限公司 ("SCL") by way of distribution in specie. SCL is a company principally engaged in property investment and development with its shares listed on the GEM Board of The Stock Exchange of Hong Kong Limited (stock code: 8155). As such, the results of the Group no longer consolidated the results of SCL and its subsidiaries from August 2009 onwards.

Trading and Manufacturing

The Trading and Manufacturing segment is mainly represented by three principal subsidiaries, Wah Shing Toys, Wah Shing Electronics and South China Shoes. The segment, despite rising Renminbi exchange rate, raw material prices and wages, reported 40.1% increase in revenue and 8.8% increase in operating profit to HK$2.6 billion and HK$144.8 million respectively for the year ended 31 December 2010.

This impressive performance was largely contributed by Wah Shing Toys and Wah Shing Electronics. During the year Wah Shing Toys and Wah Shing Electronics reported the growth in revenue of 46.4% and 83.4% respectively as compared to 2009. Profit from operation as compared to 2009 recorded an increase of 16.6% to HK$128 million for Wah Shing Toys and 95.6% to HK$16.5 million for Wah Shing Electronics.

South China Shoes reported slightly lower revenue to HK$224.8 million and a drop in profit to HK$15.6 million as compared to 2009. This was largely due to the fierce market competition during the first half of 2010.

Property Investment and Development

Revenue from the property investment and development segment increased 23.9% to HK$58.0 million for the year ended 31 December 2010 due to the renewal of certain tenancy agreements. Operating profit before the fair value gain from the segment increased HK$13.3 million to HK$24.1 million for the year ended 31 December 2010.

The Group's 30% share owned principal associate that holds a Grade-A office building in Central Hong Kong, the Centrium, recorded a contribution of HK$192.9 million, which was mainly due to the fair value appreciation of the property and the increase in rental after renewal of tenancies during the year. It also recorded an 19% increase in profit from operations before fair value gain.

Agriculture

The Group has been actively expanding its acreage in farmland in recent years. In 2010, the Group entered into new leases for approximately 7,000 acres of agricultural land in Chongqing, Wuhan, Xian and Hebei.

Revenue from the agriculture segment increased 91.9% to HK$12.2 million for the year ended 31 December 2010. The increase in revenue was largely contributed by the agriculture operation in Xian. During the year, the Group acquired more land in Xian to further expand its business. The newly acquired land was mainly used to plant fruit trees, which is an agriculture operation at the initial development stage.

The agriculture segment recorded a profit after fair value gain of HK$33.9 million in the year ended 31 December 2010 as compared to the loss of HK$20.7 million after fair value gain in 2009. The management will continue its effort to improve the bottom line result of the segment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group's current ratio stood at 1.0 and the gearing ratio was at 1.6% (31 December 2009: 1.0 and 2.2%, respectively). The gearing ratio is computed by comparing the Group's total long-term bank and other borrowings of HK$38.1 million to the Group's equity of HK$2.3 billion. 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 2010, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

The Group had no debt securities or other capital instruments as at 31 December 2010. During the year, the remaining outstanding unexercised warrants expired on 6 September 2010. Save as disclosed above, there was no material change in the Group's capital structure as compared to the 2009 Annual Report.

MATERIAL ACQUISITIONS AND DISPOSALS

Acquisitions of certain subsidiaries engaged in agricultural and forestry businesses in the PRC

On 11 January 2011, the Group acquired certain subsidiaries engaged in forestry business in the PRC from a subsidiary of South China Holdings Limited ("SCH"), an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited, for a consideration of HK$23.8 million. The Group and SCH are ultimately controlled by a substantial shareholder of the Company. The transaction completed on 31 January 2011.

On 11 January 2011, the Group acquired certain subsidiaries engaged in agricultural business in the PRC from a subsidiary of SCL for a consideration of HK$24.1 million. The Group and SCL are ultimately controlled by a substantial shareholder of the Company. The transaction is to be completed on 31 March 2011.

PLEDGES OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2010, 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 leasehold land and building, investment properties, non-current assets classified as held for sale, inventories and trade receivables of the Group are pledged to secure the banking facilities.

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

INVESTMENTS

For the year ended 31 December 2010, available-for-sale financial assets increased moderately from HK$41.9 million to HK$53.4 million and financial assets at fair value through profit or loss increased from HK$22.1 million to HK$25.7 million.

EMPLOYEES

As at 31 December 2010, the total number of employees of the Group was approximately 20,900 (2009: 18,400).

Employees' cost (including directors' emoluments) amounted to approximately HK$813.7 million for the year ended 31 December 2010 (2009: HK$581.5 million).

In addition to salary, other fringe benefits such as medical subsidies, provident fund and subsidized training programs 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 a share option scheme that came into effect on 18 June 2002.

PROSPECTS

Trading and Manufacturing

The recovery pace of the global economy is expected to accelerate further in coming years. This will increase our growth rate in the Trading and Manufacturing segment in 2011 and beyond. Wah Shing Toys will try to reflect the adverse cost factors in China such as rising Renminbi exchange rate, raw material prices and wages, to our customers through re-negotiation.

Wah Shing Toys will endeavor to increase productivity and reduce labor content through mechanization and method improvement. We plan to reduce our labor cost by relocating certain labor intensive process to our plant in Guangxi where we can rely more on the local workforce than on migrant labor in the Shenzhen and Dongguan regions. We have already started to set up our new operation in Huizhou with new workshop layout and modern logistics facilities. To enable us to embark on long-term manufacturing method, process innovation and future business expansion, the new plant is expected to complete in 2013 to support our business growth in the next five years. We expect Wah Shing Toys to sustain its stable performance in 2011 given our effort in managing our labor and production costs.

South China Shoes has expanded its customer base by adding four new customers in 2010. South China Shoes is expected to expand its sales in 2011. It has already secured new orders from Canada and will further explore the European market. Its strong management team and long-term relationship with its customers will continue to cement its position in the industry. We expect that revenue and profit will return on their growth tracks in 2011. The increase in sales, on the back of the new customers, will be reflected on a full year basis in 2011. We will also go up-market as competition in the OEM working shoes industry is fierce, in particular low end items where entrance barrier is low.

Wah Shing Electronics is expected to sustain its steady growth during 2011 to support our long-term growth strategy. We have already planned to set up a new plant in Taimei Town, Boluo Country, Huizhou, Guangdong.

Property Investment and Development

The Group has a property portfolio of more than 400,000 square meters in China and 300,000 square feet in Hong Kong. The investment properties in China are mostly in prime locations, and offer strong redevelopment potential as their average plot ratio is below 1.0. The Group is carrying out feasibility studies on the redevelopment of various properties in order to maximize their return to shareholders.

In Nanjing, the Group's principal investment properties are located in prime locations. The street-front shops at Shi Zi Qiao (Lion Bridge), the traditional pedestrian/food street in Golou district in the centre of Nanjing city, are one of our hidden gems. Despite their prime location, rental income generated from these shops is well below market rates but we expect a substantial increase in rental when the existing lease agreements are due for renewal. Given the location and the size of the site, the hidden strength and value of the site would be fully explored with the buildings being redeveloped into a large-scale shopping mall should a redevelopment plan be agreed with the government.

The 29,000 square meters site in Yuhuatai, Nanjing is currently being leased as a flower wholesale market. Given its prime location and proximity to the metro station, we envisage its future redevelopment into residential and/or commercial estate, which would explore fully the hidden strength and value of the site.

In Guangdong province, the Group is currently negotiating with the government to redevelop its lychee plantation in Zengcheng into a commercial/residential estate. This will be the first phase of the development of this enormous plantation, which is adjacent to Guangzhou's third ring road to be completed this year. The development of the plantation offers substantial price appreciation potential in the long-term as it is only 30 kilometers from Guangzhou city.

In Tianjin, the Group is evaluating continuously the redevelopment potential of a number of industrial sites, in particular, a factory site near the metro station which the Group considers to be at a mature stage for commercial development.

On the back of the recovery of the Hong Kong property market and the economy, the value of the Group's investment properties has increased in 2010, which has been reflected in the financial statements. We will continue to unload our non-core investment properties in Hong Kong in order to reallocate more resources to our projects in China.

Agriculture

The Group has currently entered into long-term leases of about 72,000 acres of agricultural land, fishpond and lake space in various major provinces in China. We are focusing on the plantation of fruits such as apples, melons, lychee, longan, winter date fruits, crops such as corns and potatoes, breeding of livestock such as pigs and fishes for sale, and exploring plantation opportunities for high profit margin species. The plantation experience gained in the initial years places the Group in the best position to reduce operating costs by alleviating various operational challenges as we scale the learning curve and expect the start-up costs to be absorbed gradually as the plantation continues to develop. Starting from year 2011 and thereafter, we expect that our plantation will start producing apples, melons, lychee, longan, winter date fruits, corns and potatoes. With our continued investment, the output from our plantation will increase substantially in line with the pace of our new and additional investment. Hence, we expect that the agriculture segment will generate a significant and sustainable profit to the Group in the year 2011 and beyond.

In the "Twelfth Five-Year Plan", the PRC Central Government has reiterated the importance of continuous stable supply of agricultural products. We expect that new supportive measures to help agricultural industry will be forthcoming. We are optimistic about the prospect of our agriculture segment and its profit contribution in view of the increasing demand for agricultural products and rising selling prices. To cope with our growth, the Group continues to expand its agricultural land acreage. For instance, we anticipate entering into new long-term leases to obtain an additional 30,000 acres of land in locations such as Xian, Wuhan, Tianjin, Shenyang and Harbin in the coming year. Besides, the PRC Central Government also focuses on urbanization. With this in mind, the Management believes that this will speed up city development. Upon realization of the government's macro policies in commercializing massive rural land, e.g. residential and commercial buildings construction, substantial hidden value of our huge agricultural land bank could be unveiled.

Given the above outlooks, the Management is confident that the current agriculture investment strategy will enable the Group to become an active market player in the Mainland's Agriculture Industry, providing a sustainable profit attributable to the Group.

CLOSURE OF REGISTER FOR ENTITLEMENT TO FINAL DIVIDEND

The register of members of the Company will be closed from 27 May 2011 to 31 May 2011, both days inclusive, during which period no share transfers will be registered. To qualify for the final dividend, all transfers accompanied by the relevant share certificates of the Company must be lodged for registration with the Company's Share Registrar, Union Registrars Limited of 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not later than 4:00 p.m. on 26 May 2011.

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, 29 March 2011

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 61, is an Executive Director and the Chairman of the Company. Mr. Ng is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also an executive director and the Chairman of South China Financial Holdings Limited ("SCF"), South China Holdings Limited ("SCH") and South China Land Limited ("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. Mr. Ng was appointed as a Director of the Company on 24 June 1992. Mr. Ng is the father of Ms. Ng Yuk Mui, Jessica, a Non-Executive Director of the Company, and Mr. Ng Yuk Fung, Peter, an Executive Director of the Company.

Ms. Cheung Choi Ngor, aged 57, is an Executive Director and the Vice-Chairman and Chief Executive Officer of the Company, an executive director and a vice-chairman of SCF, an executive director of SCH and an executive director, the compliance officer and an authorised representative of SCL. She holds a Master degree in business administration from University of Illinois in the United States of America. Ms. Cheung is a member of National Committee of the Chinese People's Political Consultative Conference. Ms. Cheung was appointed as a Director of the Company on 24 June 1992.

Mr. Richard Howard Gorges, aged 67, is an Executive Director and the Vice-Chairman of the Company and SCF. He is also an executive director of SCH and SCL. He holds a Master degree in law from Cambridge University in the United Kingdom. Mr. Gorges was appointed as a Director of the Company on 24 June 1992.

Mr. Ng Yuk Fung, Peter, aged 30, is an Executive Director of the Company, SCH and SCL. Mr. Ng holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom and is an associate member of the Chartered Institute of Management Accountants. He is also a member of Nanjing Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Ng was appointed as a Director of the Company on 17 June 2002. He 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.

NON-EXECUTIVE DIRECTOR

Ms. Ng Yuk Mui, Jessica, aged 32, is a Non-Executive Director of the Company, SCH and SCL. Ms. Ng 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 Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. Ms. Ng was appointed as an Executive Director of the Company on 17 June 2002 and redesignated as Non-Executive Director of the Company with effect from 1 July 2005. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li Yuen Yu, Alice, aged 41, 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 China Energy Development Holdings Limited during the period from 6 October 2008 to 22 December 2009. 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 a fellow member of the Taxation Institute of Hong Kong. Ms. Li was appointed as an Independent Non-executive Director of the Company on 28 September 2004.

Mr. Chiu Sin Chun, aged 63, has more than 30 years' experience in the newspaper and media industry. Mr. Chiu was appointed as an Independent Non-executive Director of the Company on 20 August 2001.

Mrs. Tse Wong Siu Yin, Elizabeth, aged 53, is an Independent Non-executive Director of the Company, SCH and SCF, the Chairman of the Hong Kong Flower Retailers Association, a committee member of Skills Upgrading Scheme (Gardening and Floristry) of Labour and Welfare Bureau and the Convenor of Youth Skills Competition in Floristry of Vocational Training Council. Mrs. Tse holds a Bachelor degree in Science from the University of Western Ontario in Canada. Mrs. Tse was appointed as an Independent Non-executive Director of the Company on 19 October 2004.

Directors' Report

The directors of the Company submit their report and the audited consolidated financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal subsidiaries are engaged in the trading and manufacturing of toys, shoes, electronics toys and leather products, property investment and development and agriculture.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2010 and state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 112 of this Annual Report.

The directors recommend the payment of a final dividend of HK1.00 cent (2009: HK1.00 cent) per share, which amounted to approximately HK$29.89 million (2009: HK$29.71 million) in respect of the year ended 31 December 2010 to the shareholders whose names appear on the register of members of the Company on 31 May 2011.

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 5 July 2011.

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 113 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Details of movements in the property, plant and equipment, investment properties and non-current assets classified as held for sale of the Group during the year are set out in notes 15, 16 and 25 to the financial statements, respectively. Further details of the Group's investment properties and non-current assets classified as held for sale are set out on pages 114 to 118 of this Annual Report.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movement in the share capital, share options and warrants of the Company during the year are set out in notes 42 and 43 to the financial statements.

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

RESERVES

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

DISTRIBUTABLE RESERVES

At at 31 December 2010, 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$105,580,000.

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:

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

In accordance with article 116 of the articles of association of the Company, Ms. Cheung Choi Ngor, Mr. Ng Yuk Fung, Peter, 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 has 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 Directors, namely Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin, Elizabeth and Ms. Li Yuen Yu, Alice for the year ended 31 December 2010 and as at the date of this report, the Company still considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors 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 EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2010, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) the Company

(i) Long positions in shares

Name of Director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Ng Hung Sang ("Mr. Ng")	Beneficial owner	185,706,917	1,883,283,829	63.01%
	Interests of spouse	53,500,000		
	Interest of controlled corporations	1,644,076,912 (Note a)		
Ng Yuk Fung, Peter	Beneficial owner	137,672,000	137,672,000	4.61%
Ng Yuk Mui, Jessica	Beneficial owner	68,280,000	68,280,000	2.28%

(ii) Long positions in underlying shares

Share options

Name of Director	Capacity	Number of underlying shares	Approximate percentage of shareholding
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	26,000,000 (Note b)	0.87%
Ng Yuk Fung, Peter	Beneficial owner	26,000,000 (Note b)	0.87%

(b) Associated corporation

Long positions in shares

Prime Prospects Limited ("Prime Prospects") (Note c)

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

Notes:

(a) The 1,644,076,912 shares of the Company held by Mr. Ng through controlled corporations include 489,866,418 shares held by Fung Shing Group Limited ("Fung Shing"), 465,933,710 shares held by Parkfield Holdings Limited ("Parkfield"), 310,019,381 shares held by Earntrade Investments Limited ("Earntrade"), 293,515,649 shares held by Bannock Investment Limited ("Bannock"), 20,613,338 shares held by Ronastar Investments Limited ("Ronastar") and 64,128,416 shares held by Worldunity Investments Limited ("Worldunity"). Parkfield, Fung Shing and Ronastar are all wholly owned by Mr. Ng. Mr. Ng holds Worldunity indirectly via South China Holdings Limited, which is owned as to 73.72% by Mr. Ng, while Bannock is a wholly-owned subsidiary of Earntrade which is owned as to 60% by Mr. Ng, 20% by Mr. Richard Howard Gorges ("Mr. Gorges") and 20% by Ms. Cheung. As such, Mr. Ng was deemed to have interest in the 64,128,416 shares held by Worldunity and the 603,535,030 shares held by Bannock and Earntrade.

(b) Please refer to the details set out in note 43 headed "Share Option Scheme" of the financial statements.

(c) Prime Prospects was a 70% owned subsidiary of the Company.

Save as disclosed above, none of the Directors or chief executives of the Company had registered, as at 31 December 2010, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register which was required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Directors and employees of the Company and its subsidiaries are entitled to participate in the share option scheme of the Company. Particulars of the share option scheme of the Company together with the details of the options granted were set out in note 43 to the financial statements. Certain Directors are entitled to participate in the share option scheme of the Company. Details of the options granted by the Company to the Directors were set out under the section "Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" of this report.

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 SCHEMES

Details of the pension schemes of the Group are set out in note 2.4 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 has beneficial interest are set out in note 52 to the financial statements and the section headed "Connected and Continuing 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.

MANAGEMENT CONTRACTS

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

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

As at 31 December 2010, the following persons, other than the Directors and chief executives of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long positions in shares

Name of shareholders	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Earntrade	Beneficial owner and interest of controlled corporation	603,535,030 (note a)	20.19%
Bannock	Beneficial owner	293,515,649 (note a)	9.82%
Parkfield	Beneficial owner	465,933,710	15.59%
Fung Shing	Beneficial owner	489,866,418	16.39%
Ng Lai King, Pamela ("Ms. Ng")	Beneficial owner and interest of spouse	1,883,283,829 (Note b)	63.01%

Notes:

(a) Bannock is a wholly-owned subsidiary of Earntrade. The 603,535,030 shares of the Company held by Earntrade include 293,515,649 shares held by Bannock directly.

(b) Ms. Ng is the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng is deemed to be interested in the 185,706,917 shares and 1,644,076,912 shares held by Mr. Ng beneficially and through controlled corporations respectively as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above.

Save as disclosed above, as at 31 December 2010, no person, other than the Directors or chief executives of the Company whose interests are set out in the section "Directors' and Chief Executives' interests and Short Position in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation", had registered any interests or short positions in the shares or underlying shares of the Company that was required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ng is an executive director and the controlling shareholder of South China Holdings Limited ("SCH") and South China Land Limited ("SCL").

Both of Ms. Cheung and Mr. Richard Howard Gorges ("Mr. Gorges") are executive directors of SCH and SCL and hold certain corporate interests in SCH and SCL jointly with Mr. Ng.

Mr. Ng Yuk Fung, Peter is an executive director of SCH and SCL and hold certain interest in SCL while Ms. Ng Yuk Mui, Jessica is a non-executive director of SCH and SCL.

Certain subsidiaries of SCH and SCL engage in property investment and development business which are considered as competing businesses of the Group. Accordingly, each of Mr. Ng, Ms. Cheung, Mr. Gorges, Mr. Ng Yuk Fung, Peter and Ms. Ng Yuk Mui, Jessica 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 SCH and SCL as there is no direct competition amongst the three listed groups.

Save as disclosed above, as at 31 December 2010, 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.

SUFFICIENCY OF PUBLIC FLOAT

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

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 17 to 19 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 18 of this Annual Report.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

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

CONNECTED TRANSACTIONS

During the year and up to the date of this Annual Report, the Group had the following connected transactions, details of which were disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

(1) A share purchase agreement dated 11 January 2011 entered into between Tek Lee Finance And Investment Corporation Limited, an indirect wholly owned subsidiary of SCH, as vendor with South China Industries (BVI) Limited, a direct wholly owned subsidiary of the Company, as purchaser in relation to the sale and purchase of 1 share in Thousand China Investments Limited, which together with its subsidiaries are engaged in forestry business for a consideration of HK$23.8 million. Details of the transaction were disclosed in the announcement of the Company dated 11 January 2011.

(2) A share purchase agreement dated 11 January 2011 entered into between Crystal Hub Limited, a direct wholly owned subsidiary of SCL, as vendor with South China Industries (BVI) Limited, a direct wholly owned subsidiary of the Company, as purchaser in relation to the sale and purchase of 1 share in Autowill Limited (together with the shareholder's loan outstanding as at 31 March 2011), which together with its subsidiaries are engaged in agricultural business for a consideration of HK$24.1 million. Details of the transaction were disclosed in the announcement of the Company dated 11 January 2011.

(3) A loan agreement dated 15 March 2011 entered into between Phipnic Investments Limited, an indirect wholly owned subsidiary of the Company, as lender with Wealth Box Investments Limited, an indirect wholly owned subsidiary of SCL, as borrower in relation to the granting of an unsecured interest-bearing loan of HK$78 million for three years at prime lending rate charged from time to time by The Hongkong and Shanghai Banking Corporation Limited. Details of the transaction were disclosed in the announcement of the Company dated 15 March 2011.

As at 11 January 2011 and 15 March 2011, Mr. Ng, the Chairman, executive director and substantial shareholder of the Company, through interest in controlled corporations owned as to 66.74% in SCL and 73.72% in SCH.

CONTINUING CONNECTED TRANSACTIONS

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

(1) On 15 December 2009, Copthorne Holdings Corp. as landlord, a wholly-owned subsidiary of the Company, entered into four renewal of tenancy agreements with South China Media Management Limited ("SC Management") as tenant for the premises at units A, B and D on 3rd Floor, A, B, C and D on 4th Floor and units A, B, C and D on 12th Floor together with car parking space nos. 12A, 12B, 13A and 13B of Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong at an aggregate monthly rental of HK$229,916 for two years from 1 January 2010 to 31 December 2011.

(2) A renewal of tenancy agreement dated 15 December 2009 entered into between First City Limited as landlord, an indirect wholly-owned subsidiary of the Company, and Hong Kong Four Seas Tours Limited ("Four Seas") as tenant for the premises at 1/F, On Lok Yuen Building, 25-27 Des Voeux Road Central, Hong Kong at a monthly rental of HK$110,120 for two years from 1 January 2010 to 31 December 2011.

(3) A renewal of tenancy agreement dated 15 December 2009 entered into between Glorious Dragon Investments Limited as landlord, an indirect wholly-owned subsidiary of the Company, and Four Seas as tenant for the premises at 2/F, On Lok Yuen Building, 25-27 Des Voeux Road Central, Hong Kong at a monthly rental of HK$101,460 for two years from 1 January 2010 to 31 December 2011.

(4) A renewal of tenancy agreement dated 15 December 2009 entered into between Kingstep Limited as landlord, an indirect wholly-owned subsidiary of the Company, and Four Seas as tenant for the premises at Units B & C, 9/F., Century House, 3-4 Hanoi Road, Tsim Sha Tsui, Kowloon, Hong Kong at a monthly rental of HK$32,982 for two years from 1 January 2010 to 31 December 2011.

(5) A renewal of tenancy agreement dated 15 December 2009 entered into between Tamon Development Limited as landlord, an indirect wholly owned subsidiary of the Company, and Four Seas as tenant for the premises at Rooms 301-312, 2/F, Four Seas Jade Centre, 530-536 Canton Road, Yau Ma Tei, Kowloon, Hong Kong at a monthly rental of HK$12,500 for two years from 1 January 2010 to 31 December 2011.

As at 31 December 2010, SC Management is 100% owned by the Chairman, the executive director and substantial shareholder of the Company, Mr. Ng and hence an associate of Mr. Ng. Four Seas is an indirect wholly-owned subsidiary of SCH and Mr. Ng through interest in controlled corporations owned as to 73.72% in SCH.

One of the principal activities of the Group is engaged in property investment and the above rental agreements provided the Group with stable rental income.

Details of the above transactions were disclosed in the respective announcements of the Company dated 15 December 2009.

The above continuing connected transactions have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:–

(1) in the ordinary and usual course of business of the Company;
(2) on normal commercial terms; and
(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely, Ms. Li Yuen Yu, Alice (Chairman of the Audit Committee), 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 2011 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2010 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and adequate disclosure were made.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2010, the sales to the Group's five largest customers accounted for 73.6.% of the total sales and the sales to the largest customer included therein amounted to 39.2%. Purchases from the Group's five largest suppliers accounted for 13.6% of the total purchases and purchases from the largest supplier included therein accounted for 3.8% of the total purchases.

None of the Directors or any of their associates or any shareholders (which to the 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 or suppliers.

EVENTS AFTER THE REPORTING PERIOD

On 18 March 2011, the Company adopted an employees' share award scheme (the "Scheme") for recognizing the contributions by certain employees of the Group, giving incentive to them in order to retain them for the continual operation and development of the Group and attracting suitable personnel for the development of the Group. Pursuant to the Scheme, a sum up to HK$20 million will be used within one year from the date of adoption of the Scheme for the purchase of shares of the Company and/or SCL from market which will be held on trust by the trustee for the selected employees of the Group. No shares have been granted to the employees of the Group under the Scheme up to the date of this Annual Report.

Details of other events after the reporting period of the Group are set out in note 56 to the financial statements.

AUDITORS

Messrs. Ernst & Young will retire and, being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On Behalf of the Board

NG HUNG SANG
Chairman
Hong Kong, 29 March 2011

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 to the shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 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 2010 with exception to code provision E1.2 that the Chairman of the Board had not attended the annual general meeting of the Company.

According to code provision E1.2 of the CG Code, the Chairman of the Board shall attend the annual general meeting to answer questions. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 18 May 2010. There were Executive Directors of the Company attending the annual general meeting in the absence of the Chairman to answer questions on the Group's businesses at the meeting. The Directors believe that this was an exceptional incident and the Company will ensure future compliance with code provision E1.2.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2010, the Board composed of 8 directors, including the Chairman who is an Executive Director, 1 Vice-chairman and Chief Executive Officer who is an Executive Director, 1 Vice-chairman who is an Executive Director, 1 additional Executive Director, 1 Non-executive Director, and 3 Independent Non-executive Directors. One-third of the Board is Independent Non-executive Directors. 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 on the Board composition to ensure that it has a balance of skills and experience appropriate for the requirement of the business of 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 2010 for the said purpose with a majority of Directors present.

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

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

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

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

The Board held four meetings in 2010.

	Attendance
Executive Directors	
Mr. Ng Hung Sang (*Chairman*)	2/4
Ms. Cheung Choi Ngor (*Vice Chairman & Chief Executive Officer*)	4/4
Mr. Richard Howard Gorges (*Vice-chairman*)	4/4
Mr. Ng Yuk Fung, Peter	4/4
Non-executive Director	
Ms. Ng Yuk Mui, Jessica	2/4
Independent Non-executive Directors	
Ms. Li Yuen Yu, Alice	4/4
Mr. Chiu Sin Chun	4/4
Mrs. Tse Wong Siu Yin, Elizabeth	4/4

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. With respect to other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. 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 procedure and all applicable rules and regulations are complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

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

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 to be in possession of unpublished price sensitive information in relation to the Group or its securities.

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard of dealings and its code of conduct regarding securities transaction by Directors throughout the year ended 31 December 2010.

INTERNAL CONTROL

Recognising that a well-designed and effective system of internal control is crucial for safeguarding the assets of the Company and the shareholders' investment and for ensuring 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 that the audit programs will cover key internal control areas of key operating subsidiaries on a rotational basis for the review by the Audit Committee on a regular interval. The scopes and timing of audit review is usually determined according to risk assessment.

Special reviews may also be performed on areas of concern identified by management or the Audit Committee from time to time. Communication channel has been established between the IA Team and the Audit Committee members.

The IA Team monitors the internal control procedures and systems of the Group, reports findings and makes recommendations, if any, to the Audit Committee on a regular interval. During the year, certain internal controls of the procurement cycle of the toys and shoes businesses were reviewed and addressed in the internal control report, which was presented by the IA Team to the Audit committee and the Board for review.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the 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 20 of this Annual Report.

AUDITORS' REMUNERATION

For the year ended 31 December 2010, the Auditors of the Company received approximately HK$2,170,000 for audit services and HK$6,000 for non-audit service provided to the Company.

REMUNERATION COMMITTEE

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

The Remuneration Committee met once in December 2010 and it was attended by all Committee members. The policies on 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 in the Company's affairs and performance of the individual Executive Directors with 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 incentive for retaining staff.

The directors' fees for all Directors are subject to shareholders' approval at general meeting. Remuneration packages of the Executive Directors are reviewed by the Remuneration Committee. 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 (Chairman of the Audit Committee), Mr. Chiu Sin Chun and Mrs. Tse Wong Siu Yin, Elizabeth. The principal duties of the Audit Committee in accordance with its terms of reference, are substantially the same as the CG Code, which include the review of the Group's financial reporting system and internal control procedures, review of financial information of the Group and review of the relationship with the Auditors of the Group.

The Audit Committee Members held two meetings in 2010 in which representatives of the management were present to review the interim and final results, the interim report and annual report and other financial and internal control matters. The Group's Auditors were present in one of the meetings.

	Attendance
Ms. Li Yuen Yu, Alice	2/2
Mr. Chiu Sin Chun	2/2
Mrs. Tse Wong Siu Yin, Elizabeth	2/2

The Audit Committee is satisfied with their review of the audit fees, the independence of the Auditors and recommended to the Board the re-appointment of the Auditors in 2011 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2010 were reviewed by the Audit Committee.

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of South China (China) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 21 to 112, which comprise the consolidated and Company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, 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
29 March 2011

Consolidated Income Statement

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	4 & 5	**2,648,673**	1,893,080
Cost of sales		**(2,227,789)**	(1,541,380)
Gross profit		**420,884**	351,700
Other income and gains, net	5	**29,097**	27,029
Fair value gain on investment properties		**142,567**	143,450
Fair value gain on biological assets	14	**44,423**	3,695
Fair value (loss)/gain on financial assets at fair value through profit or loss		**(2,914)**	13,519
Selling and distribution costs		**(41,979)**	(42,308)
Administrative expenses		**(292,165)**	(261,286)
Equity-settled share option expenses		**(9,445)**	(12,925)
Other expenses		**(10,000)**	(4,283)
		280,468	218,591
Finance costs	7	**(28,837)**	(16,337)
Share of profits and losses of associates		**195,042**	189,335
Reversal of impairment/(impairment) of advances to an associate	6 & 21	**376**	(1,131)
PROFIT BEFORE TAX	6	**447,049**	390,458
Income tax expense	10	**(22,696)**	(12,788)
PROFIT FOR THE YEAR		**424,353**	377,670
Attributable to:			
Owners of the Company		**412,778**	383,277
Non-controlling interests		**11,575**	(5,607)
		424,353	377,670
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic		**HK13.9 cents**	HK13.7 cents
Diluted		**HK13.7 cents**	HK13.2 cents

Details of the dividends paid and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR	**424,353**	377,670
OTHER COMPREHENSIVE INCOME/(LOSS)		
Change in fair value of available-for-sale financial assets	**11,834**	(2,380)
Exchange differences on translation of foreign operations	**34,878**	178
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**46,712**	(2,202)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**471,065**	375,468
Attributable to:		
Owners of the Company	**457,264**	381,077
Non-controlling interests	**13,801**	(5,609)
	471,065	375,468

Consolidated Statement of Financial Position

31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	15	**246,951**	234,504	258,263
Investment properties	16	**1,445,134**	1,396,616	1,619,673
Prepaid land lease payments	17	**42,000**	42,484	48,323
Construction in progress	18	**51,256**	27,597	27,279
Investments in associates	21	**664,184**	468,862	297,827
Biological assets	14	**160,471**	88,990	84,904
Available-for-sale financial assets	22	**53,432**	41,901	44,281
Other non-current assets	23	**16,666**	16,666	16,666
Prepayments and deposits		**22,490**	–	4,883
Goodwill	19	**3,071**	3,011	5,514
Total non-current assets		**2,705,655**	2,320,631	2,407,613
CURRENT ASSETS				
Properties under development	24	**–**	–	448,734
Inventories	26	**382,420**	306,403	296,979
Trade receivables	27	**142,134**	155,773	171,092
Prepayments, deposits and other receivables	28	**83,738**	74,613	79,216
Financial assets at fair value through profit or loss	32	**25,698**	22,052	10,945
Due from a non-controlling shareholder of a subsidiary	29	**–**	–	25,845
Due from affiliates	30	**7,499**	19,647	–
Tax recoverable		**1,997**	6,808	5,015
Cash and bank balances	33	**118,741**	174,907	150,497
		762,227	760,203	1,188,323
Non-current assets classified as held for sale	25	**435,339**	304,908	–
Total current assets		**1,197,566**	1,065,111	1,188,323
CURRENT LIABILITIES				
Trade and bills payables	34	**293,861**	288,384	271,624
Other payables and accruals	35	**346,442**	258,674	233,983
Interest-bearing bank and other borrowings	36	**466,251**	467,856	466,953
Due to non-controlling shareholders of subsidiaries	29	**23,943**	20,697	19,899
Due to affiliates	31	**3,379**	15,688	10,132
Tax payable		**31,480**	30,266	28,054
Total current liabilities		**1,165,356**	1,081,565	1,030,645
NET CURRENT ASSETS/(LIABILITIES)		**32,210**	(16,454)	157,678
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,737,865**	2,304,177	2,565,291

Consolidated Statement of Financial Position

31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	36	**38,148**	40,825	216,507
Advance from a director	37	**–**	38,409	–
Advances from non-controlling shareholders of subsidiaries	38	**30,411**	29,346	29,119
Other non-current liabilities	39	**87,302**	85,170	85,419
Promissory notes	40	**–**	–	97,079
Deferred tax liabilities	41	**248,716**	232,417	229,580
Total non-current liabilities		**404,577**	426,167	657,704
Net assets		**2,333,288**	1,878,010	1,907,587
EQUITY				
Equity attributable to owners of the Company				
Issued capital	42	**59,773**	59,424	53,040
Reserves	44(a)	**2,145,908**	1,702,457	1,716,617
Proposed final dividends	12	**29,886**	29,714	2,122
		2,235,567	1,791,595	1,771,779
Non-controlling interests		**97,721**	86,415	135,808
Total equity		**2,333,288**	1,878,010	1,907,587

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

		Attributable to owners 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	Non–controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2009		53,040	193,524	4,139	223	120,793	59,464	25,470	8,977	33,242	(3,067)	88,054	1,185,798	2,122	1,771,779	135,808	1,907,587
Profit for the year		–	–	–	–	–	–	–	–	–	–	–	383,277	–	383,277	(5,607)	377,670
Other comprehensive income/(loss) for the year:																	
Changes in fair value of available-for-sale financial assets	22	–	–	–	–	–	–	(2,380)	–	–	–	–	–	–	(2,380)	–	(2,380)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	–	180	–	–	180	(2)	178
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	(2,380)	–	–	–	180	383,277	–	381,077	(5,609)	375,468
Issue of shares upon exercise of warrants	42	6,384	121,303	–	–	–	–	–	–	–	–	–	–	–	127,687	–	127,687
Dilution of interest in a subsidiary		–	–	(17)	–	–	–	–	–	(10)	–	(188)	326	–	111	104	215
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	–	–	21,447	21,447
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(12,267)	(12,267)
Transfer to statutory reserves		–	–	–	–	–	–	–	855	–	–	–	(855)	–	–	–	–
Transfer to retained profits		–	(314,731)	–	–	(195,774)	–	–	–	(637)	–	–	511,142	–	–	–	–
Recognition of equity-settled share based compensation	6	–	–	–	–	–	–	–	–	12,822	–	–	–	–	12,822	103	12,925
Effect on distribution of dividend in specie	46	–	–	(4,122)	–	85,786	–	–	–	(1,827)	–	(691)	(578,905)	–	(499,759)	(53,171)	(552,930)
Final dividend for 2008 paid		–	–	–	–	–	–	–	–	–	–	–	–	(2,122)	(2,122)	–	(2,122)
Final dividend for 2009 proposed	12	–	–	–	–	–	–	–	–	–	–	–	(29,714)	29,714	–	–	–
Balance at 31 December 2009		59,424	96*	–*	223*	10,805*	59,464*	23,090*	9,832*	43,590*	(3,067)*	87,355*	1,471,069*	29,714	1,791,595	86,415	1,878,010

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

		Attributable to owners 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$'000	Share option reserve HK$'000	Goodwill reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2010		59,424	96	223	10,805	59,464	23,090	9,832	43,590	(3,067)	87,355	1,471,069	29,714	1,791,595	86,415	1,878,010
Profit for the year		–	–	–	–	–	–	–	–	–	–	412,778	–	412,778	11,575	424,353
Other comprehensive income for the year:																
Changes in fair value of available-for-sale financial assets	22	–	–	–	–	–	11,834	–	–	–	–	–	–	11,834	–	11,834
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	32,652	–	–	32,652	2,226	34,878
Total comprehensive income for the year		–	–	–	–	–	11,834	–	–	–	32,652	412,778	–	457,264	13,801	471,065
Issue of shares upon exercise of warrants	42	349	6,628	–	–	–	–	–	–	–	–	–	–	6,977	–	6,977
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	–	(2,495)	(2,495)
Transfer to statutory reserves		–	–	–	–	–	–	1,133	–	–	–	(1,133)	–	–	–	–
Recognition of equity-settled share based compensation	6	–	–	–	–	–	–	–	9,445	–	–	–	–	9,445	–	9,445
Final dividend for 2009 paid	12	–	–	–	–	–	–	–	–	–	–	–	(29,714)	(29,714)	–	(29,714)
Final dividend for 2010 proposed	12	–	–	–	–	–	–	–	–	–	–	(29,886)	29,886	–	–	–
Balance at 31 December 2010		59,773	6,724*	223*	10,805*	59,464*	34,924*	10,965*	53,035*	(3,067)*	120,007*	1,852,828*	29,886	2,235,567	97,721	2,333,288

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

The retained profits and exchange fluctuation reserve of the Group include HK$669,547,000 (2009: HK$474,497,000) and HK$1,164,000 (2009: HK$754,000), respectively, retained by associates of the Group.

* These reserve accounts comprise the consolidated reserves of HK$2,145,908,000 (2009: HK$1,702,457,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**447,049**	390,458
Adjustments for:			
Finance costs	7	**28,837**	16,337
Share of profits and losses of associates		**(195,042)**	(189,335)
Interest income	5	**(288)**	(2,077)
Gain on dilution of interest in a subsidiary	5	**–**	(343)
(Gain)/loss on disposal of items of property, plant and equipment	5	**(1,754)**	140
Loss on disposal of leasehold land	5	**–**	332
Gain on disposal of investment properties	5	**–**	(6,469)
Gain on disposal of financial assets at fair value through profit or loss	5	**–**	(594)
Write-back of other payables	5	**(2,673)**	(4,833)
Dividend income from listed investments	5	**(405)**	(225)
Gain on disposal of subsidiaries	5	**–**	(720)
Loss on disposal of an associate	5	**26**	–
Gain on disposal of available-for-sale financial assets	5	**(77)**	–
Fair value gain on investment properties		**(142,567)**	(143,450)
Fair value loss/(gain) on financial assets at fair value through profit or loss		**2,914**	(13,519)
Fair value gain on biological assets		**(44,423)**	(3,695)
Decrease in biological assets due to harvest	6	**249**	243
Equity-settled share option expenses	6	**9,445**	12,925
Impairment of goodwill	6	**–**	3,500
(Reversal of impairment)/impairment of advances to an associate	6	**(376)**	1,131
Impairment of trade receivables, net	6	**5,464**	5,411
Impairment of available-for-sale financial assets	5	**36**	–
Provision for inventories	6	**12,739**	14,234
Write-off of other receivables	6	**10,000**	783
Write-off of inventories	6	**–**	695
Depreciation	6	**38,737**	37,886
Amortisation of prepaid land lease payments	6	**15,945**	9,502
		183,836	128,317
Increase in properties under development		**–**	(89,899)
Increase in inventories		**(86,566)**	(24,231)
Decrease in trade receivables		**8,850**	5,936
(Increase)/decrease in prepayments, deposits and other receivables		**(10,639)**	4,070
Decrease in amount due to an intermediate holding company		**–**	(7,569)
Decrease/(increase) in amounts due from associates		**8,943**	(18,654)
Increase in trade and bills payables		**5,505**	24,816
Increase in other payables and accruals		**82,860**	63,294
Decrease in amounts due to non-controlling shareholders of subsidiaries, net		**(4)**	(1,699)
(Decrease)/increase in amounts due to related companies		**(501)**	3,984
Decrease in amount due from a related company		**3,205**	–
Severance payment paid		**(974)**	(249)
Cash generated from operations		**194,515**	88,116
Hong Kong profits tax paid		**(3,766)**	(6,662)
Mainland China tax paid		**(4,480)**	(5,006)
Net cash flows from operating activities		**186,269**	76,448

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	15	**(43,604)**	(25,800)
Additions to construction in progress	18	**(22,994)**	(1,510)
Additions to prepaid land lease payments	17	**(19,964)**	(22,917)
Additions to biological assets	14	**(23,580)**	(634)
Purchases of financial assets at fair value through profit or loss		**(6,251)**	(677)
Dividends received from listed investments		**147**	225
Cash outflow in respect of acquisition of a subsidiary, net	45	**–**	(7,500)
Repayment from/(advances to) associates, net		**376**	(15,831)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	3,683
Interest received		**288**	2,077
Proceeds from disposal of investment properties		**–**	89,251
Proceeds from disposal of an associate		**118**	–
Proceeds from disposal of available-for-sale financial assets		**365**	–
Cash inflow in respect of disposal of a subsidiary, net	46	**–**	6,369
Proceeds from disposal of items of property, plant and equipment		**2,242**	2,505
Proceeds from disposal of leasehold land		**–**	2,645
Deposits paid for acquisition of leasehold interests in land		**(22,490)**	(137,719)
Cash paid for acquisition of additional interest in a subsidiary		**–**	(253)
Dividend income from an associate		**–**	33,000
Net cash used in investing activities		**(135,347)**	(73,086)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**596,147**	495,000
Repayment of bank loans		**(603,367)**	(374,141)
(Decrease)/increase in trust receipt loans		**(9,087)**	7,457
(Repayment)/receipt of advances from directors, net		**(35,030)**	38,409
Interests paid		**(28,560)**	(19,032)
Dividend paid		**(29,714)**	(2,122)
Cash and bank balances derecognised upon distribution of dividend in specie	46	**–**	(51,177)
Contribution to South China Land Limited paid		**(15,187)**	(88,892)
Dividends paid to non-controlling shareholders of subsidiaries		**–**	(12,267)
Capital element of finance lease payments		**–**	(1,439)
Issue of shares upon exercise of warrants	42	**6,977**	29,566
Issue of shares in a subsidiary upon exercise of share options granted by the subsidiary		**–**	558
Net cash flows (used in)/from financing activities		**(117,821)**	21,920
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(66,899)**	25,282
Cash and cash equivalents at beginning of year		**174,907**	149,625
Effect of foreign exchange rate changes, net		**2,487**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**110,495**	174,907
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	33	**118,741**	174,907
Bank overdrafts	36	**(8,246)**	–
Cash and cash equivalents as stated in the statement of cash flows		**110,495**	174,907

Statement of Financial Position

31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	20	**1,657,752**	1,749,041
CURRENT ASSETS			
Other receivables	28	**578**	10,572
Cash and bank balances	33	**97**	268
Total current assets		**675**	10,840
CURRENT LIABILITIES			
Other payables	35	**1,170**	1,236
Due to affiliates	31	**–**	15,187
Total current liabilities		**1,170**	16,423
NET CURRENT LIABILITIES		**(495)**	(5,583)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,657,257**	1,743,458
NON-CURRENT LIABILITIES			
Due to subsidiaries	20	**1,462,018**	1,514,887
Net assets		**195,239**	228,571
EQUITY			
Issued capital	42	**59,773**	59,424
Reserves	44(b)	**105,580**	139,433
Proposed final dividend	12	**29,886**	29,714
Total equity		**195,239**	228,571

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

Notes to the Financial Statements

Year ended 31 December 2010

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. The principal subsidiaries are engaged in the trading and manufacturing of toys, shoes, electronic toys and leather products, property investment and development, and agriculture.

2.1 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 (including those classified as non-current assets classified as held for sale), certain leasehold land and buildings, available-for-sale financial assets, financial assets at fair value through profit or loss and biological assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 January 2010

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 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests (formerly known as minority interests) prior to 1 January 2010 was 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 were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interests until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover this. Losses prior to 1 January 2010 were not reallocated between non-controlling interests and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 January 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding HKAS17 included in Improvement to HKFRSs 2009 and HK Interpretation 5, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

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

(i) Amendment to HKAS 17 "Leases"

HKAS 17 Leases: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

The Group has reassessed its leases previously classified as operating leases upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases and those in Hong Kong are recognised as finance leases.

(ii) HK Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

In November 2010 the HKICPA issued HKInt 5 which is effective immediately and is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. This interpretation sets out that any term loan, which contains a clause giving the lender the unconditional right to demand repayment at any time, shall be classified as current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HKInt 5, the Group has changed its accounting policy on the classification of term loans containing a repayment on demand clause. Under the new policy, term loans with clauses giving the lender the unconditional right to call the loan at any time are classified as current liabilities in the consolidated statement of financial position. Previously these loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement at the reporting date or otherwise had reason to believe that the lender would not invoke its rights under the immediate repayment clause within the foreseeable future.

The new policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has had no effect on the reported profit or loss, total comprehensive income or net assets for any period presented.

Effect of adoption of HKInt 5 on the consolidated statement of financial position

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
CURRENT LIABILITIES			
Increase in interest-bearing bank and other borrowings	**55,986**	62,117	65,338
NON-CURRENT LIABILITIES			
Decrease in interest-bearing bank and other borrowings	**(55,986)**	(62,117)	(65,338)

2.3 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 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4]
HKFRS 9	*Financial Instruments*[5]
HKAS 24 (Revised)	*Related Party Disclosures*[3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*[3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SIGNIFICANT ACCOUNTING POLICIES

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 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.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures *(Continued)*

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 investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments 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.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Business combinations from 1 January 2010 (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The carrying amount of Goodwill is tested and 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.

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.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, 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 and, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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 and, 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 the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an 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.

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 losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised 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 mainly represents properties under construction, which is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including 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 end of the reporting period.

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.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

For 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 buildings 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 buildings revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Properties under development

Properties under development represents properties developed for sale or to earn rental income, and are stated at cost less any impairment losses. Cost comprises the prepaid land lease payments, building costs and any other direct costs attributable to the development of the properties. Borrowing costs, professional fees, and other related expenses incurred during the construction or development phase of the property are capitalised as part of the costs of that property.

Properties under development which have been pre-sold or one expected to be completed within one year from the end of the reporting period are classified under current asset. On completion, the properties are transferred to properties held for sale or investment properties.

Once the constructions or developments of these properties are completed, they are reclassified to the appropriate asset categories.

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 sales transaction rather than through continuing use. For this to be the case, the asset or disposal group 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. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Biological assets

Biological assets are fruit trees and are measured on initial recognition and at each financial year end 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.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Agricultural produce

Agricultural produce comprises winter date, lychee, longan, apple and other fruits of fruit trees.

Winter date, lychee, longan, apple and other 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 winter date, lychee, longan, apple and other 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 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 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

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments as appropriate. The Group determines the classification of its financial assets at initial recognition. 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.

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.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do 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.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement in other operating expenses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial assets revaluation reserve until the financial asset is derecognised, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale financial assets revaluation reserve. 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.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

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 losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; or

- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an asset or a group of assets is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to affiliates and interest-bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate 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 other valuation models.

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 statement of cash flows, 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 statements of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 end of the reporting period 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 relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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.

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.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 by the end of the reporting period.

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.

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.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Pension schemes (Continued)

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 for grants after 7 November 2002 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 being set out in note 43 to the financial statements.

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. The cumulative expense recognised for equity-settled transactions at the end of each reporting period 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 equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, 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. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. 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. All cancellations of equity-settled transaction awards are treated equally.

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends and distributions

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

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

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 recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. 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, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, 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.

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 end of the reporting period. 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, based on an evaluation of the terms and conditions of the arrangements, 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 end of the reporting period 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.

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

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there is any indicator of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the aging of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale financial assets 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. For the year ended 31 December 2010, impairment loss of HK$36,000 have been recognised for available-for-sale financial assets (2009: Nil).

Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

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 2010 (2009: Nil). The amount of unrecognised tax losses at 31 December 2010 was HK$481,333,000 (2009: HK$451,717,000).

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the trading and manufacturing segment is engaged in trading and manufacturing of merchandises including toys, shoes and footwear products and leather products;

(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, rearing of livestocks and aquatic products, forestation and sale of relevant agricultural products; and

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

(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 2010 and 2009.

Group

	Trading and manufacturing		Property investment and development		Agriculture and woods		Investment holding		Group	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue										
External sales	**2,578,559**	1,839,956	**57,960**	46,790	**12,154**	6,334	**–**	–	**2,648,673**	1,893,080
Segment profit/(loss) from operations	**144,789**	133,040	**166,626**	154,240	**33,851**	(20,744)	**(64,798)**	(47,945)	**280,468**	218,591
Share of profits and losses of associates	**2,140**	(378)	**192,902**	189,713	**–**	–	**–**	–	**195,042**	189,335
Reversal of impairment/(impairment) of advances to an associate	**376**	(1,131)	**–**	–	**–**	–	**–**	–	**376**	(1,131)
Finance costs									**(28,837)**	(16,337)
Profit before tax									**447,049**	390,458
Segment assets	**951,690**	836,020	**1,980,028**	1,802,508	**209,547**	138,133	**95,775**	133,411	**3,237,040**	2,910,072
Investments in associates	**12,663**	10,243	**651,521**	458,619	**–**	–	**–**	–	**664,184**	468,862
Tax recoverable									**1,997**	6,808
Total assets									**3,903,221**	3,385,742
Segment liabilities	**930,001**	886,650	**159,553**	122,197	**8,586**	5,471	**191,597**	230,731	**1,289,737**	1,245,049
Tax payable									**31,480**	30,266
Deferred tax liabilities									**248,716**	232,417
Total liabilities									**1,569,933**	1,507,732

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group *(Continued)*

		Trading and manufacturing		Property investment and development		Agriculture and woods		Investment holding		Group	
		2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:											
Capital expenditures		**80,294**	19,517	**5,928**	1,307	**46,216**	29,787	**194**	250	**132,632**	50,861
Depreciation and amortisation		**37,136**	34,971	**1,306**	1,602	**16,058**	10,650	**182**	165	**54,682**	47,388
Provision for inventories, net	6	**12,739**	14,234	**–**	–	**–**	–	**–**	–	**12,739**	14,234
Impairment of trade receivables, net	6 & 27	**5,464**	5,411	**–**	–	**–**	–	**–**	–	**5,464**	5,411
Impairment of goodwill	6	**–**	3,500	**–**	–	**–**	–	**–**	–	**–**	3,500
Write-off of other receivables	6	**–**	–	**–**	–	**–**	783	**10,000**	–	**10,000**	783
Write-off of inventories	6	**–**	–	**–**	–	**–**	695	**–**	–	**–**	695

Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments, construction in progress, available-for-sale financial assets, biological assets and deposits paid for acquisition of leasehold interests in land during the year.

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

Revenue from external customers

	2010 HK$'000	2009 HK$'000
The People's Republic of China ("PRC") including Hong Kong and Macau	**181,048**	172,110
The United States of America	**1,544,160**	1,241,196
Europe	**520,615**	275,455
Japan	**33,047**	8,245
Others	**369,803**	196,074
	2,648,673	1,893,080

The revenue information above is based on the destination to which goods and services are delivered.

Non-current assets

	2010 HK$'000	2009 HK$'000
Hong Kong	**325,316**	318,680
Other regions in Mainland China	**1,662,723**	1,491,188
	1,988,039	1,809,868

The non-current asset information above is based on the location of assets, and excludes available-for-sale financial assets and investments in associates.

Information about major customers

Revenue of approximately HK$1,038 million (2009: HK$753 million) and HK$280 million (2009: HK$212 million) were derived from sales by the trading and manufacturing segment to two major customers, respectively.

5. REVENUE, OTHER INCOME AND GAINS, NET

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, net is as follows:

	2010	2009
	HK$'000	HK$'000
Revenue		
Sale of merchandise from trading and manufacturing businesses	**2,578,559**	1,839,956
Rental income	**57,960**	46,790
Sale of agricultural produce	**12,154**	6,334
	2,648,673	1,893,080
Other income		
Service fee	**–**	2,000
Dividend income from listed investments	**405**	225
Bank interest income	**231**	200
Interest income from an associate	**57**	61
Other interest income	**–**	1,816
Others	**7,949**	3,439
	8,642	7,741
Gains		
Gain on disposal of financial assets at fair value through profit or loss	**–**	594
Gain on disposal of investment properties	**–**	6,469
Write-back of other payables	**2,673**	4,833
Gain on disposal of subsidiaries (note 46)	**–**	720
Gain on dilution of interest in a subsidiary	**–**	343
Gain/(loss) on disposal of items of property, plant and equipment	**1,754**	(140)
Loss on disposal of leasehold land	**–**	(332)
Reversal of impairment of trade receivables (note 27)	**535**	280
Write-back of trade receivables written off in prior year	**3,441**	102
Gain on disposal of available-for-sale financial assets	**77**	–
Loss on disposal of an associate	**(26)**	–
Impairment of available-for-sale financial assets (note 22)	**(36)**	–
Others	**12,037**	6,419
	20,455	19,288
	29,097	27,029

6. PROFIT BEFORE TAX

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

	Notes	2010 HK$'000	2009 HK$'000
Cost of inventories sold		**2,227,789**	1,541,380
Depreciation	15	**38,737**	37,906
Less: Depreciation capitalised in properties under development	24	**–**	(20)
		38,737	37,886
Auditors' remuneration		**2,170**	2,170
Employee benefits expense (including directors' remuneration (note 8)):			
Pension scheme contributions		**42,955**	32,541
Less: Forfeited contributions		**–**	–
Net pension scheme contributions*		**42,955**	32,541
Equity-settled share option expenses		**9,445**	12,925
Salaries, wages and other benefits		**761,274**	536,094
Less: Salaries, wages and other benefits capitalised in properties under development		**–**	(1,175)
		761,274	534,919
		813,674	580,385
Decrease in biological assets due to harvest	14	**249**	243
Operating leases rental in respect of land and buildings		**20,953**	16,406
Gross rental income from investment properties and non-current assets held for sale		**(57,960)**	(46,790)
Less: Direct operating expenses		**9,039**	5,197
Net rental income		**(48,921)**	(41,593)

6. PROFIT BEFORE TAX *(Continued)*

	Notes	**2010 HK$'000**	2009 HK$'000
Impairment of trade receivables, net	27	**5,464**	5,411
Amortisation of prepaid land lease payments	17	**15,945**	9,502
Provision for inventories, net (included in cost of sales)**		**12,739**	14,234
Write-off of inventories (included in cost of sales)		**–**	695
(Reversal of impairment)/impairment of advances to an associate	21	**(376)**	1,131
Impairment of goodwill***	19	**–**	3,500
Write-off of other receivables***		**10,000**	783
Exchange losses, net		**4,792**	1,846

* At 31 December 2010 and 2009, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

** The amount represents the net charge recognised in respect of provision against inventories to write down the inventories at their estimated net realisable values.

*** Included in "other expenses" in the consolidated income statement.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	**Group 2010 HK$'000**	Group 2009 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable:			
Within five years		**28,382**	16,860
Over five years		**446**	749
Interest on finance leases		**–**	20
Interest on advances from affiliates:			
– a director		**–**	663
– an intermediate holding company		**–**	274
– a related company		**9**	466
Interest on promissory notes		**–**	1,042
		28,837	20,074
Less: Interest capitalised in properties under development	24	**–**	(3,737)
		28,837	16,337

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	
	2010	2009
	HK$'000	HK$'000
Fees	**315**	250
Other emoluments:		
Salaries, allowances and benefits in kind	**2,433**	2,228
Discretionary bonuses	**11,166**	618
Pension scheme contributions	**89**	97
Equity-settled share option	**2,314**	6,712
	16,002	9,655
	16,317	9,905

In prior years, certain directors were granted share options under the share option scheme of the Company for their services to the Group. Further details of the share option scheme are set out in note 43 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount recognised in the financial statements for the current year attributable to the directors 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:

	2010	2009
	HK$'000	HK$'000
Mr. Chiu Sin Chun	**75**	50
Mrs. Tse Wong Siu Yin, Elizabeth	**75**	50
Ms. Li Yuen Yu, Alice	**75**	50
	225	150

There were no other emolument payable to the independent non-executive directors during the year (2009: 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**	**Equity-settled share option HK$'000**
2010					
Executive directors:					
Mr. Ng Hung Sang	**10**	**144**	**–**	**7**	**–**
Ms. Cheung Choi Ngor	**10**	**1,265**	**6,046**	**63**	**1,157**
Mr. Richard Howard Gorges	**10**	**144**	**5,000**	**7**	**–**
Mr. Ng Yuk Fung, Peter	**10**	**880**	**120**	**12**	**1,157**
	40	**2,433**	**11,166**	**89**	**2,314**
Non-executive director:					
Ms. Ng Yuk Mui, Jessica	**50**	**–**	**–**	**–**	**–**
	90	**2,433**	**11,166**	**89**	**2,314**

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Equity-settled share option HK$'000
2009					
Executive directors:					
Mr. Ng Hung Sang	10	576	–	28	–
Ms. Cheung Choi Ngor	10	576	618	28	3,314
Mr. Richard Howard Gorges	10	588	–	29	–
Mr. Ng Yuk Fung, Peter	10	488	–	12	3,398
	40	2,228	618	97	6,712
Non-executive director:					
Ms. Ng Yuk Mui, Jessica	60	–	–	–	–
	100	2,228	618	97	6,712

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2009: two) directors whose remuneration are set out in note 8 above in details. Details of the remuneration of the remaining three (2009: three) non-director highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**6,257**	4,745
Discretionary bonuses	**4,405**	1,698
Pension scheme contributions	**96**	96
Equity-settled share option	**–**	3,398
	10,758	9,937

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

	Number of employees	
	2010	2009
HK$1,500,001 to HK$2,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	3
HK$4,000,001 to HK$4,500,000	**1**	–
HK$5,000,001 to HK$5,500,000	**1**	–
	3	3

In prior years, share options were granted to a non-director highest paid employee for 2009 for his services to the Group. Further details of the share option scheme are set out in note 43 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount recognised in the financial statements for the prior year attributable to the non-director highest paid employees for 2009 is included in the above non-director highest paid employees' remuneration disclosures.

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) 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 respective countries/jurisdictions in which the Group operates.

	Group	
	2010	2009
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**7,563**	5,913
Under/(over)-provision in prior years	**248**	(2,025)
Current – Mainland China		
Charge for the year	**5,722**	8,363
Under/(over)-provision in prior years	**359**	(164)
Deferred tax (note 41)	**8,804**	701
Total tax charge for the year	**22,696**	12,788

A reconciliation of the tax expense on the Group's profit before tax at the Hong Kong profits tax rate to the tax expense at the effective tax rate is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Profit before tax	**447,049**	390,458
Tax at the Hong Kong profits tax rate of 16.5% (2009: 16.5%)	**73,763**	64,426
Effect of different tax rates of subsidiaries operating in Mainland China and Taiwan	**9,747**	3,972
Profits and losses attributable to associates	**(32,546)**	(31,208)
Expenses not deductible for tax	**19,378**	15,715
Income not subject to tax	**(53,039)**	(18,859)
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries in the PRC	**151**	845
Adjustments in respect of current tax of previous periods	**607**	(2,189)
Reversal of deferred tax liabilities upon transfer of investment properties to non-current assets classified as held for sale and disposal of investment properties	**(3,868)**	(21,843)
Tax losses utilised from previous periods	**(1,501)**	(11,176)
Tax losses not recognised	**10,004**	13,105
Total tax charge for the year	**22,696**	12,788

The share of tax charge attributable to associates amounting to HK$38,847,000 (2009: HK$37,508,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 includes a loss of HK$20,040,000 (2009: profit of HK$580,129,000) which has been dealt with in the financial statements of the Company (note 44(b)).

12. DIVIDENDS AND DISTRIBUTION

	2010 **HK$'000**	2009 HK$'000
Proposed final – HK1.00 cent (2009: HK1.00 cent) per ordinary share	**29,886**	29,714
Special interim distribution, declared and paid of 370.946 shares in South China Land Limited ("SCL") per 100 ordinary shares (note 46)	**–**	578,905
	29,886	608,619

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

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$412,778,000 (2009: HK$383,277,000) and the weighted average number of 2,977,623,000 (2009: 2,795,571,000) 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 owners 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 deemed to have been issued at no consideration on the assumption of the exercise or conversion in full of all dilutive potential ordinary shares into ordinary shares.

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

	2010 **HK$'000**	2009 HK$'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**412,778**	383,277

	Number of shares	
	2010 **'000**	2009 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,977,623**	2,795,571
Effect of dilution – weighted average number of ordinary shares:		
Warrants	**38,503**	99,750
	3,016,126	2,895,321

The Company's share options have no dilution effect for the years ended 31 December 2010 and 2009 because the exercise prices of the Company's share options were higher than the average market prices of the shares for both years.

14. BIOLOGICAL ASSETS

	Group	
	2010	2009
	HK$'000	HK$'000
Lychee trees:		
Carrying amount at 1 January	**49,950**	49,950
Additions	**–**	7
(Loss)/gain arising from changes in fair value less estimated point-of-sale costs	**(26,443)**	140
Decrease due to harvest	**(238)**	(147)
Exchange realignment	**849**	–
Carrying amount at 31 December	**24,118**	49,950
Longan trees:		
Carrying amount at 1 January	**17,140**	16,452
(Loss)/gain arising from changes in fair value less estimated point-of-sale costs	**(9,190)**	688
Decrease due to harvest	**(5)**	–
Exchange realignment	**290**	–
Carrying amount at 31 December	**8,235**	17,140
Winter date trees:		
Carrying amount at 1 January	**21,900**	18,502
Additions	**867**	627
Gain arising from changes in fair value less estimated point-of-sale costs	**11,343**	2,867
Decrease due to harvest	**(6)**	(96)
Exchange realignment	**1,072**	–
Carrying amount at 31 December	**35,176**	21,900
Apple trees:		
Carrying amount at 1 January	**–**	–
Additions	**13,374**	–
Gain arising from changes in fair value less estimated point-of-sale costs	**31,876**	–
Exchange realignment	**750**	–
Carrying amount at 31 December	**46,000**	–
Other fruit trees:		
Carrying amount at 1 January	**–**	–
Additions	**9,339**	–
Gain arising from changes in fair value less estimated point-of-sale costs	**36,837**	–
Exchange realignment	**766**	–
Carrying amount at 31 December	**46,942**	–
Total carrying amount at 31 December	**160,471**	88,990

14. BIOLOGICAL ASSETS *(Continued)*

Quantities of fruit trees:

	Number of trees ’000	Number of trees ’000
Lychee trees	**217**	333
Longan trees	**94**	107
Winter date trees	**977**	1,047
Apple trees	**649**	–
Other fruit trees	**1,038**	–
	2,975	1,487

Fair value and saleable output of lychee, longan, winter date, apples and other fruits at the point of harvest are analysed as follows:

	Group	
	2010 HK$’000	2009 HK$’000
Fair value less estimated point-of-sale costs:		
Lychee	**238**	147
Longan	**5**	–
Winter date	**6**	96
	249	243
	Tons	Tons
Saleable output:		
Lychee fruits	**44**	49
Longan fruits	**1**	–
Winter date fruits	**4**	19
	49	68

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, longan, winter date, apple and other 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 and woods segment.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Furniture and leasehold improvements HK$'000	Machinery and equipment HK$'000	Moulds and tools HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
31 December 2010						
At 31 December 2009 and at 1 January 2010:						
Cost or valuation	228,643	229,231	245,640	11,985	25,218	740,717
Accumulated depreciation and impairment	(78,589)	(196,192)	(203,628)	(8,698)	(19,106)	(506,213)
Net carrying amount	150,054	33,039	42,012	3,287	6,112	234,504
At 1 January 2010, net of accumulated depreciation and impairment	150,054	33,039	42,012	3,287	6,112	234,504
Exchange realignment	1,942	250	1,066	–	104	3,362
Additions	31	11,215	27,941	3,612	805	43,604
Disposals/write-offs	–	(7)	(8)	–	(473)	(488)
Transfer from investment properties, net (note 16)	4,706	–	–	–	–	4,706
Depreciation provided during the year (note 6)	(11,124)	(11,685)	(12,458)	(1,334)	(2,136)	(38,737)
At 31 December 2010, net of accumulated depreciation and impairment	145,609	32,812	58,553	5,565	4,412	246,951
At 31 December 2010:						
Cost or valuation	236,434	237,039	268,357	15,597	25,506	782,933
Accumulated depreciation and impairment	(90,825)	(204,227)	(209,804)	(10,032)	(21,094)	(535,982)
Net carrying amount	145,609	32,812	58,553	5,565	4,412	246,951
Analysis of cost or valuation:						
At cost	188,925	237,039	268,357	15,597	25,506	735,424
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
	236,434	237,039	268,357	15,597	25,506	782,933

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

Group *(Continued)*

	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 2009						
At 31 December 2008 and at 1 January 2009:						
Cost or valuation	237,081	216,607	246,851	10,547	25,733	736,819
Accumulated depreciation and impairment	(69,237)	(186,344)	(197,242)	(7,705)	(18,028)	(478,556)
Net carrying amount	167,844	30,263	49,609	2,842	7,705	258,263
At 1 January 2009, net of accumulated depreciation and impairment	167,844	30,263	49,609	2,842	7,705	258,263
Additions	2,262	13,119	5,627	1,438	3,354	25,800
Acquisition of subsidiaries (note 45)	–	–	371	–	64	435
Disposals/write-offs	(2,328)	(24)	(101)	–	(192)	(2,645)
Disposal of subsidiaries (note 46)	–	(412)	(1,602)	–	(1,640)	(3,654)
Transfer from construction in progress (note 18)	–	1,192	–	–	–	1,192
Transfer to investment properties, net (note 16)	(6,981)	–	–	–	–	(6,981)
Depreciation provided during the year (note 6)	(10,743)	(11,099)	(11,892)	(993)	(3,179)	(37,906)
At 31 December 2009, net of accumulated depreciation and impairment	150,054	33,039	42,012	3,287	6,112	234,504
At 31 December 2009:						
Cost or valuation	228,643	229,231	245,640	11,985	25,218	740,717
Accumulated depreciation and impairment	(78,589)	(196,192)	(203,628)	(8,698)	(19,106)	(506,213)
Net carrying amount	150,054	33,039	42,012	3,287	6,112	234,504
Analysis of cost or valuation:						
At cost	181,134	229,231	245,640	11,985	25,218	693,208
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
	228,643	229,231	245,640	11,985	25,218	740,717

15. 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	
	2010	2009
	HK$'000	HK$'000
Leasehold land and buildings in Hong Kong:		
Medium term leases	**14,757**	15,134
Long term leases	**22,119**	18,503
	36,876	33,637
Buildings in Mainland China	**108,733**	116,417
	145,609	150,054

The Group was in the process of applying the land use right certificates for certain leasehold land in Mainland China on which buildings erected amounting to approximately HK$35,607,000 as at 31 December 2010 (2009: HK$37,743,000). The directors do not expect any legal obstacle in obtaining the relevant title certificates.

During the year, the Group has transferred certain investment properties to leasehold land and buildings at fair value of HK$4,706,000 (2009: transferred certain leasehold land and buildings at fair value of HK$6,981,000 to investment properties).

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 has been carried out as the Group has relied on the exemption from the requirement to carry out future revaluations of its property, plant and equipment, which were stated at valuation at that time, granted under the transitional provisions in paragraph 80A of HKAS 16.

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 2010 would have been approximately HK$86,145,000 (2009: HK$90,590,000).

At 31 December 2010, certain of the Group's leasehold land and buildings (including their corresponding prepaid land lease payments) with a net book value of approximately HK$88,707,000 (2009: HK$103,170,000) were pledged to secure banking facilities granted to the Group (notes 36 and 49).

16. INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**1,396,616**	1,619,673
Transfer (to)/from leasehold land and buildings, net (note 15)	**(4,706)**	6,981
Transfer to non-current assets classified as held for sale, at fair value (note 25)	**(64,800)**	(304,908)
Acquisition of subsidiaries (note 45)	**–**	13,961
Disposals	**–**	(82,782)
Fair value gain	**79,401**	143,450
Exchange realignment	**38,623**	241
Carrying amount at 31 December	**1,445,134**	1,396,616

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

	Group	
	2010	2009
	HK$'000	HK$'000
Hong Kong:		
Long term leases	**189,960**	168,507
Medium term leases	**78,850**	88,100
	268,810	256,607
Mainland China:		
Medium term leases	**1,176,324**	1,140,009
	1,445,134	1,396,616

Certain investment properties of the Group were revalued on 31 December 2010 by BMI Appraisals Limited, independent professionally qualified valuers, at HK$64,800,000 (2009: HK$304,908,000) on an open market, existing use basis upon transfer to non-current assets classified as held for sale (note 25).

The Group's investment properties were revalued on 31 December 2010 by BMI Appraisals Limited, independent professionally qualified valuers, at HK$1,445,134,000 on an open market, existing use basis. The investment properties are leased or available for lease to third parties under operating leases. Details about such operating lease arrangements are included in note 50(a) to the financial statements.

At 31 December 2010, the Group's investment properties with aggregate value of HK$327,910,000 (2009: HK$315,607,000) were pledged and mortgaged to secure general banking facilities granted to the Group (notes 36 and 49).

The Group was in the process of applying the land use rights certificates in respect of certain investment properties of the Group located in Mainland China amounting to approximately HK$1,044,033,000 at 31 December 2010 (2009: HK$1,021,298,000). The directors do not expect any legal obstacle in obtaining the relevant title certificates.

Further particulars of the Group's investment properties are included on pages 114 to 117.

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**50,431**	49,808
Exchange realignment	**1,105**	–
Additions	**19,964**	22,917
Disposals	**–**	(2,977)
Disposal of subsidiaries (note 46)	**–**	(9,815)
Amortised during the year (note 6)	**(15,945)**	(9,502)
Carrying amount at 31 December	**55,555**	50,431
Current portion included in prepayments, deposits and other receivables	**(13,555)**	(7,947)
Non-current portion	**42,000**	42,484

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

18. CONSTRUCTION IN PROGRESS

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**27,597**	27,279
Exchange realignment	**665**	–
Additions	**22,994**	1,510
Transferred to property, plant and equipment (note 15)	**–**	(1,192)
Carrying amount at 31 December	**51,256**	27,597

19. GOODWILL

	Group 2010 HK$'000	2009 HK$'000
At 1 January:		
Cost	**6,511**	5,514
Accumulated impairment	**(3,500)**	–
Net carrying amount	**3,011**	5,514
Carrying amount at 1 January	**3,011**	5,514
Acquisition of subsidiary (note 45)	**–**	3,500
Acquisition of non-controlling interests in a subsidiary	**–**	21,700
Disposal of interest in a subsidiary (note 46)	**–**	(24,203)
Impairment during the year (note 6)	**–**	(3,500)
Exchange realignment	**60**	–
At 31 December	**3,071**	3,011
At 31 December:		
Cost	**6,571**	6,511
Accumulated impairment	**(3,500)**	(3,500)
Net carrying amount	**3,071**	3,011

The amount of goodwill arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001 remained in the consolidated reserves was HK$3,067,000 (2009: HK$3,067,000) as at 31 December 2010.

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 manufacturing and trading cash-generating unit

Property investment and development cash-generating unit

The recoverable amount of the property investment and development cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 13.5% (2009: 12.0%). Cash flows beyond the five-year period are extrapolated using a growth rate of 3.0% (2009: 3.0%) which is estimated on the basis of the long term average growth rate of the property investment and development industry.

Toy manufacturing and trading cash-generating unit

The recoverable amount of the toy manufacturing and trading 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 12.0% (2009: 12.0%). Cash flows beyond the five-year period are extrapolated using a growth rate of 2.5% (2009: 2.0%) which is estimated on the basis of the long term average growth rate of the toy manufacturing and trading industry.

19. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

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

	Group	
	2010	2009
	HK$'000	HK$'000
Cash-generating unit:		
Property investment and development	**1,697**	1,637
Toy manufacturing and trading	**1,374**	1,374
	3,071	3,011

Key assumptions were used in the value-in-use calculation of the property investment and development and toy manufacturing and trading cash-generating units for the years ended 31 December 2010 and 31 December 2009. The following describes each key assumption on which management has based to undertake impairment testing of goodwill by using the cash flow projections:

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 as 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.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for the countries where raw materials are sourced.

20. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**234,018**	234,018
Due from subsidiaries	**1,423,734**	1,515,023
	1,657,752	1,749,041

The amounts due from subsidiaries are unsecured, interest-free, and are not repayable within twelve months from the end of the reporting period.

The amounts due to subsidiaries included in the Company's non-current liabilities of HK$1,462,018,000 (2009: HK$1,514,887,000) are unsecured, interest-free, and are not repayable within twelve months from the end of the reporting period.

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

21. INVESTMENTS IN ASSOCIATES

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets:		
Unlisted associates	**647,872**	452,550
Advances to associates	**57,203**	57,579
Provision for impairment#	**(40,891)**	(41,267)
	16,312	16,312
	664,184	468,862

An impairment was recognised for the advances to an associate as the associate has incurred recurring losses in prior years and its future profit stream is uncertain.

The Group has given a guarantee in an amount of HK$396,000,000 (2009: HK$396,000,000) to secure banking facilities granted to Firm Wise Investment Limited ("FWIL") of which HK$343,350,000 was utilised as at 31 December 2010 (2009: HK$359,250,000). The banking facilities are due to be mature in November 2012. The guarantees given were used on refinancing an investment property in Hong Kong.

In prior years, the Group has given a guarantee in an amount of HK$20,000,000 to secure banking facilities granted to Nority Limited ("Nority") of which HK$14,700,000 was utilised as at 31 December 2008. The banking facilities were due on demand. The advances to Nority were used and the banking facilities were utilised to finance its trading and manufacturing operation. In the opinion of the directors, Nority's financial ability to repay the loans drawn under the banking facilities was uncertain. As such, a provision of HK$14,700,000 was made for the Group's and Company's liability under the abovementioned guarantee in 2008. During the year ended 31 December 2009, the Group has settled outstanding loans drawn under the abovementioned bank facilities on behalf of Nority due to the financial deficiency of the associate. Accordingly, the provision for financial guarantee of HK$14,700,000 was transferred to the provision for impairment of advances to associates in 2009 and the Group ceased to provide any guarantee to Nority thereafter.

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

		Group	
		2010	2009
	Note	**HK$'000**	HK$'000
At 1 January		**41,267**	25,436
Transferred from provision for financial guarantee in respect of the banking facilities of an associate		**–**	14,700
(Reversal of provision for impairment)/ provision for impairment recognised	6	**(376)**	1,131
At 31 December		**40,891**	41,267

21. INVESTMENTS IN ASSOCIATES *(Continued)*

Except for the amount due from an associate of HK$7,499,000 as at 31 December 2010 (2009: HK$16,442,000) which carries interest at 0.5% per annum (2009: 0.5% per annum), the amounts due from associates are unsecured, interest-free, and have no fixed terms of repayment. In the opinion of the directors, advances to associates with a carrying amount before provision of HK$57,203,000 (2009: HK$57,579,000) are not repayable within twelve months from the end of the reporting period and, accordingly, such advances are classified in the statement of financial position as non-current. The remaining HK$7,499,000 (2009: HK$16,442,000) was classified as current.

During the year ended 31 December 2009, the Group acquired an additional 40% interest in 南華集團(天津)服裝有限公司 ("Tianjin Garments"), a then 60%-owned associate of the Group, from a then joint-venture partner of Tianjin Garments. Subsequent to the acquisition, Tianjin Garments became an indirect wholly-owned subsidiary of the Company.

Further details of the acquisition are included in note 45 to the financial statements.

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

	2010	2009
	HK$'000	HK$'000
Assets	**3,822,222**	3,176,438
Liabilities	**1,650,484**	1,647,708
Revenue	**141,366**	141,918
Profit	**643,008**	632,375

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

Other associates

	2010	2009
	HK$'000	HK$'000
Assets	**87,019**	78,549
Liabilities	**23,930**	28,262
Revenue	**85,719**	53,521
Profit	**10,715**	1,162

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

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2010	2009
	HK$'000	HK$'000
Club debentures, at fair value	**53,173**	41,375
Unlisted equity investments, at cost	**259**	526
	53,432	41,901

During the year, fair value gain in respect of the Group's club debentures recognised in other comprehensive income amounted to HK$11,834,000 (2009: fair value loss of HK$2,380,000) and impairment loss in respect of the Group's club debentures recognised in the consolidated income statement amounted to HK$36,000 (note 5) (2009: Nil).

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

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 less impairment losses, if any.

23. OTHER NON-CURRENT ASSETS

	Group	
	2010	2009
	HK$'000	HK$'000
Berths, at cost	**16,666**	16,666

24. PROPERTIES UNDER DEVELOPMENT

		Group	
		2010	2009
	Notes	**HK$'000**	HK$'000
Carrying amount at 1 January		–	448,734
Additions		–	89,899
Interest capitalised	7	–	3,737
Depreciation capitalised	6	–	20
Disposal of a subsidiary	46	–	(542,390)
Carrying amount at 31 December		–	–

On 10 August 2009, the interests in the subsidiary holding the Group's properties under development was distributed to the Company's shareholders. Details about the distribution are set out in note 46 to the financial statements.

25. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The Group has committed to a plan to sell certain of its investment properties in Hong Kong, Mainland China and Taiwan (the "Disposable Assets"), which generate minimal revenue to the Group, so as to focus on its property investment and development business in Mainland China, which the Group considered to be more profitable, and provide additional financial resources to the Group's operations. In the opinion of the directors, the disposal of the Disposable Assets is expected to complete within twelve months from the financial year end date.

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**304,908**	–
Exchange realignment	**2,465**	–
Transfer from investment properties (note 16)	**64,800**	304,908
Fair value gain	**63,166**	–
Carrying amount at 31 December	**435,339**	304,908

At 31 December 2010, the Group's non-current assets classified as held for sale with a value of HK$379,210,000 (2009: HK$281,950,000) were pledged and mortgaged to secure banking facilities and bank loans granted to the Group (notes 36 and 49).

26. INVENTORIES

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**168,166**	167,939
Work in progress	**110,745**	95,162
Finished goods	**181,104**	116,538
	460,015	379,639
Provision for inventories	**(77,595)**	(73,236)
	382,420	306,403

At 31 December 2010, the Group's inventories with a value of HK$141,359,000 (2009: HK$150,446,000) were pledged to secure general banking facilities granted to the Group (notes 36 and 49).

27. TRADE RECEIVABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables	**205,841**	216,847
Impairment	**(63,707)**	(61,074)
	142,134	155,773

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 monitor credit risk. Overdue balances are reviewed regularly by senior management. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 55 to the financial statements. Trade receivables are non-interest-bearing.

An aging analysis of trade receivables net of provisions based on the invoice date as at the end of the reporting period is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within 90 days	**124,327**	140,528
91 to 180 days	**8,304**	1,975
181 to 365 days	**1,229**	6,151
Over 365 days	**8,274**	7,119
	142,134	155,773

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**61,074**	56,869
Exchange realignment	**30**	–
Impairment losses recognised (note 6)	**5,999**	5,691
Impairment loss reversed (notes 5 and 6)	**(535)**	(280)
Amount written off as uncollectible	**(2,861)**	(727)
Disposal of subsidiaries	**–**	(479)
At 31 December	**63,707**	61,074

27. TRADE RECEIVABLES *(Continued)*

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$63,707,000 (2009: HK$61,074,000) with a carrying amount before provision of HK$63,707,000 (2009: HK$61,074,000). The individually impaired trade receivables relate to customers that were in financial difficulties or with whom there were trade disputes. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2010	2009
	HK$'000	HK$'000
Within 90 days	**124,327**	140,528
91 to 180 days	**8,304**	1,975
181 to 365 days	**1,229**	6,151
Over 365 days	**8,274**	7,119
	142,134	155,773

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.

At 31 December 2010, the Group's trade receivables with a value of HK$2,834,000 (2009: HK$7,705,000) were pledged to secure its banking facilities (notes 36 and 49).

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

At 31 December 2010, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

29. DUE FROM/(TO) NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts due from/(to) non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

30. DUE FROM AFFILIATES

	Note	Group 2010 HK$'000	Group 2009 HK$'000
Due from a related company#		–	3,205
Due from an associate	21	**7,499**	16,442
		7,499	19,647

The Group entered into an agreement on 16 December 2009 (the "Agreement Date") whereby the Group agreed to sell certain subsidiaries engaged in forest plantation (the "Disposal Group") to a subsidiary of South China Holdings Limited, a company controlled by a substantial shareholder of the Company. Under the agreement, the Disposal Group is required to settle the amounts due to certain subsidiaries of the Company totaling HK$6.2 million within three months from the Agreement Date. Further details have been set out in the announcement of the Company dated 16 December 2009. As at 31 December 2009, the amount due from the Disposal Group arising from this transaction was HK$3.2 million.

The amounts due from affiliates are unsecured, and have no fixed terms of repayment. The amount due from an associate carries interest at 0.5% per annum (2009: 0.5% per annum) as further detailed in note 21 to the financial statements and the amount due from a related company is interest-free.

31. DUE TO AFFILIATES

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Due to directors	**3,379**	–	–	–
Due to related companies^	–	15,688	–	15,187
	3,379	15,688	–	15,187

^ The balance as at 31 December 2009 included the Company's amount due to a related company, which represents the remaining contribution payable to SCL. Details about the contribution, which was approved in the extraordinary general meeting held on 10 August 2009, have been set out in the circular released on 23 July 2009. Certain directors of the related companies are also the directors of the Company.

Except for an amount due to a related company of HK$501,000 as at 31 December 2009, which carries interest at Hong Kong dollar prime rate per annum, the amounts due to affiliates are unsecured, interest-free, and have no fixed terms of repayment.

32. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2010 HK$'000	Group 2009 HK$'000
Equity investments at market value listed in:		
Hong Kong	**24,282**	20,587
Mainland China	**1,416**	1,465
	25,698	22,052

The above equity investments at 31 December 2010 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$22,782,000.

33. CASH AND BANK BALANCES

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$71,281,000 (2009: HK$68,204,000). 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. The bank balances are deposited with creditworthy banks with no recent history of default.

34. TRADE AND BILLS PAYABLES

	Group	
	2010	2009
	HK$'000	HK$'000
Trade payables	**284,981**	281,474
Bills payable	**8,880**	6,910
	293,861	288,384

An aging analysis of the trade payables as at the end of the reporting period, based on invoice date, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within 90 days	**219,228**	212,307
91 to 180 days	**14,642**	13,842
181 to 365 days	**4,569**	8,827
Over 365 days	**46,542**	46,498
	284,981	281,474

The trade payables are non-interest-bearing and normally settled on 90-day terms.

35. OTHER PAYABLES AND ACCRUALS

Other payables are non-interest-bearing, and have an average term of three months.

36. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2010 HK$'000	2009 HK$'000 (restated)
Current				
Bank overdrafts – secured	5.25 – 5.50	on demand	**8,246**	–
Bank loans – unsecured	1.58 – 5.67	2011 – 2014	**22,883**	35,699
Bank loans – secured	1.00 – 5.80	2011– 2020	**293,763**	281,711
Trust receipt loans – secured	1.10 – 2.10	2011	**141,359**	150,446
			466,251	467,856
Non-current				
Bank loans – unsecured	4.00	2012 – 2014	**3,743**	4,894
Bank loans – secured	1.06 – 2.27	2012 – 2020	**34,405**	35,931
			38,148	40,825
			504,399	508,681
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand#			**466,251**	467,856
In the second year			**9,138**	10,243
In the third to fifth years, inclusive			**18,859**	20,789
Over five years			**10,151**	9,793
			504,399	508,681

Balance at the end of the reporting period includes bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause totalling HK$55,986,000 (2009: HK$62,117,000).

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

Notes:

(a) At the end of the reporting period, the Group's bank and other borrowings of approximately HK$477,773,000 (2009: HK$468,088,000) are secured by:

(i) pledges and mortgages over the Group's investment properties situated in Hong Kong and Mainland China, which had an aggregate carrying value at the end of the reporting period of approximately HK$327,910,000 (2009: HK$315,607,000) (note 16);

(ii) pledges and mortgages over the Group's non-current assets classified as held for sale which had an aggregate carrying value at the end of the reporting period of approximately HK$379,210,000 (2009: HK$281,950,000) (note 25);

(iii) pledges and mortgages over the Group's leasehold land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately HK$88,707,000 (2009: HK$103,170,000) (note 15);

(iv) pledges over the Group's trade receivables which had an aggregate carrying value at the end of the reporting period of approximately HK$2,834,000 (2009: HK$7,705,000) (note 27);

(v) pledges over the Group's inventories which had an aggregate carrying value at the end of the reporting period of approximately HK$141,359,000 (2009: HK$150,446,000) (note 26);

(b) Except for secured bank loans with an aggregate amount of HK$95,794,000 (2009: HK$98,959,000) which are denominated in Renminbi and unsecured bank loans of HK$8,677,000 (2009: HK$15,182,000) which are denominated in Renminbi, all other borrowings are in Hong Kong dollars.

The carrying amounts of the Group's and the Company's borrowings are approximate to their fair values. The fair values of borrowings are estimated to be the present values of future cash flows discounted at prevailing interest rates at 31 December 2010.

37. ADVANCE FROM A DIRECTOR

The advance from a director is unsecured, interest-bearing at Hong Kong dollar prime rate per annum, and has no fixed terms of repayment. In the opinion of the directors, the amount will not be repayable within twelve months from the end of the reporting period and are, therefore, presented in the consolidated statement of financial position as non-current.

38. ADVANCES FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The advances from non-controlling shareholders of subsidiaries are unsecured, interest-free, and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the end of the reporting period and are, therefore, presented in the consolidated statement of financial position as non-current.

39. OTHER NON-CURRENT LIABILITIES

	Group	
	2010	2009
	HK$'000	HK$'000
Provision for severance payments	**78,437**	76,617
Others	**8,865**	8,553
	87,302	85,170

The movement in the provision for severance payments is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**76,617**	76,866
Exchange realignment	**2,794**	–
Amount utilised during the year	**(974)**	(249)
At 31 December	**78,437**	76,617
Portion classified as current liabilities	**–**	–
Non-current portion	**78,437**	76,617

The provision for severance payments arose from the acquisition of certain PRC subsidiaries in prior years, and was recognised under the relevant regulations in Mainland China.

40. PROMISSORY NOTES

		Group	
	Effective interest rate (%)	**2010 HK$'000**	2009 HK$'000
Issued to a substantial shareholder	2.00	**–**	–

During the year ended 31 December 2009, the promissory notes and interest thereto were fully settled through offsetting the consideration payable arisen from the exercise of warrants by the substantial shareholder as further detailed in note 42 to the financial statements and in the announcement of the Company dated 16 July 2009.

41. 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	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 January 2009	14,788	228,594	–	(13,802)	229,580
Deferred tax charged/(credited) to the income statement (note 10)	(630)	(8,802)	482	9,651	701
Acquisition of subsidiary (note 45)	–	2,136	–	–	2,136
At 31 December 2009	14,158	221,928	482	(4,151)	232,417
At 1 January 2010	14,158	221,928	482	(4,151)	232,417
Deferred tax charged/(credited) to the income statement (note 10)	5,966	5,257	151	(2,570)	8,804
Exchange realignment	–	7,495	–	–	7,495
At 31 December 2010	20,124	234,680	633	(6,721)	248,716

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

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Tax losses	**352,202**	345,466	**22,540**	22,540

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK$129,131,000 (2009: HK$106,251,000) in the past five years for offsetting against future taxable profits. Such tax losses will expire in one to five years for offsetting against future taxable profits. 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.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors by the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008, and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of those foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable to withholding income tax on dividends distributed from profits generated by its subsidiaries established in Mainland China from 1 January 2008 onwards.

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

42. SHARE CAPITAL

Shares

	Number of shares	Amount
		HK$'000
Authorised:		
Share of HK$0.02 each at 1 January 2010 and 31 December 2010	5,000,000,000	100,000

	Number of shares	Amount
		HK$'000
Issued and fully paid:		
Share of HK$0.02 each at 1 January 2009	2,651,975,426	53,040
Warrants exercised (note a)	319,219,388	6,384
Share of HK$0.02 each at 31 December 2009	2,971,194,814	59,424
Warrants exercised (note a)	17,442,049	349
Share of HK$0.02 each at 31 December 2010	2,988,636,863	59,773

Note:

(a) During the year ended 31 December 2010, 17,442,049 shares of HK$0.02 each were issued 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$6,976,820.

During the year ended 31 December 2009, 319,219,388 shares of HK$0.02 each were issued at a subscription price of HK$0.4 per share pursuant to the exercise of the Company's warrants, of which 245,302,933 shares were issued upon the exercise of warrants by a substantial shareholder of the Company. The total consideration before expenses was HK$127,687,000, of which HK$29,566,000 was settled in cash. The remaining consideration of HK$98,121,000 was settled through offsetting the promissory notes and interest thereon totalling HK$98,121,000.

42. SHARE CAPITAL *(Continued)*

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 HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2009	2,651,975,426	53,040	193,524	246,564
Warrants exercised	319,219,388	6,384	121,303	127,687
Transfer to retained profits	–	–	(314,731)	(314,731)
At 31 December 2009 and at 1 January 2010	2,971,194,814	59,424	96	59,520
Warrants exercised	17,442,049	349	6,628	6,977
At 31 December 2010	2,988,636,863	59,773	6,724	66,497

Share options

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

Warrants

At 1 January 2009, the Company had 530,033,026 outstanding warrants which entitled the holders to subscribe in cash for fully paid ordinary shares in the Company of HK$0.02 each at a subscription price of HK$0.40 per share, subject to adjustment, on or before 6 September 2010 ("Expiry Date"). During the year ended 31 December 2009, 319,219,388 warrants were exercised. As at 31 December 2009 and 1 January 2010, the Company had 210,813,638 warrants outstanding. The exercise in full of such warrants before their Expiry Date would result in the issue of 210,813,638 additional shares of HK$0.02 each under the capital structure of the Company as at 31 December 2009.

During the year ended 31 December 2010, 17,442,049 warrants were exercised. The remaining warrants not being exercised were expired on 6 September 2010. As such, the Company had no outstanding warrants as at 31 December 2010.

43. SHARE OPTION SCHEME

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

(a) Purpose of the Share Option Scheme

In order to provide incentives or rewards to the participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any entity in which any member of the Group holds equity interests (the "Invested Entity"), the shareholders of the Company approved the adoption of the Share Option Scheme at the annual general meeting held on 31 May 2002.

(b) Participants of the Share Option Scheme

According to the Share Option Scheme, the board may, at its discretion, grant options to any person belonging to any of the following classes of participants to subscribe for shares of the Company:–

(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, agent, consultant, contractor or representative of any member of the Group or any Invested Entity or substantial shareholder;

(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;

(ix) any other group or classes of participants from time to time determined by the Directors as having contributed or may contribute to the development and growth of any member of the Group (including any discretionary object of a participant which is a discretionary trust); and

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

43. SHARE OPTION SCHEME *(Continued)*

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

The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the shares in issue as at the date of approval of the Share Option Scheme, ie, a total of 265,167,371 shares.

As at 31 December 2010, the total number of shares available for issue pursuant to the grant of further share options under the Share Option Scheme is 168,967,371, representing approximately 5.65% of the issued share capital of the Company 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 (including both exercised, cancelled and outstanding options) in any 12 month period up to and including the date of grant to such participant would exceed in aggregate 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

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

The board of the Company 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 impose restrictions on the exercise of a share option during the period a share option may be exercised.

(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 Scheme 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 of the Company 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.

43. SHARE OPTION SCHEME *(Continued)*

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

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

(i) Remaining life of the share option scheme

Subject to early termination of the Share Option Scheme pursuant to the terms thereof, the Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became unconditional on 18 June 2002.

The following share options were outstanding under the Share Option Scheme of the Company during the year:

	2010		2009	
	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	**1.5**	**100,800**	1.5	101,800
Forfeited during the year	**1.5**	**(4,600)**	1.5	(1,000)
At 31 December	**1.5**	**96,200**	1.5	100,800

43. SHARE OPTION SCHEME *(Continued)*

Particulars and movements during the year of the outstanding share options granted under the Share Option Scheme were as follows:

Name or category of participant	Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Re-classified (Note 1)	Outstanding as at 31 December 2010	Date of grant of share options (DD/MM/YYYY) (Note 2)	Exercise period of share options (DD/MM/YYYY)	Subscription price per share HK$ (Note 3)
	Number of share options									
Directors of the Company										
Cheung Choi Ngor	8,666,666	–	–	–	–	–	8,666,666	18/09/2007	18/09/2008 – 17/09/2017	1.500
	8,666,667	–	–	–	–	–	8,666,667	18/09/2007	18/09/2009 – 17/09/2017	1.500
	8,666,667	–	–	–	–	–	8,666,667	18/09/2007	18/09/2010 – 17/09/2017	1.500
Ng Yuk Fung, Peter	8,666,666	–	–	–	–	–	8,666,666	18/09/2007	18/09/2008 – 17/09/2017	1.500
	8,666,667	–	–	–	–	–	8,666,667	18/09/2007	18/09/2009 – 17/09/2017	1.500
	8,666,667	–	–	–	–	–	8,666,667	18/09/2007	18/09/2010 – 17/09/2017	1.500
Sub-total	52,000,000	–	–	–	–	–	52,000,000			
Employees										
In aggregate										
	2,333,333	–	–	(800,000)	–	–	1,533,333	18/09/2007	18/09/2008 – 17/09/2017	1.500
	2,333,333	–	–	(800,000)	–	–	1,533,333	18/09/2007	18/09/2009 – 17/09/2017	1.500
	2,333,334	–	–	(800,000)	–	–	1,533,334	18/09/2007	18/09/2010 – 17/09/2017	1.500
	100,000	–	–	–	–	1,999,999	2,099,999	25/09/2007	25/09/2008 – 24/09/2017	1.500
	100,000	–	–	–	–	1,999,999	2,099,999	25/09/2007	25/09/2009 – 24/09/2017	1.500
	100,000	–	–	–	–	2,000,002	2,100,002	25/09/2007	25/09/2010 – 24/09/2017	1.500
Sub-total	7,300,000	–	–	(2,400,000)	–	6,000,000	10,900,000			
Others										
In aggregate	10,399,998	–	–	(333,333)	–	–	10,066,665	18/09/2007	18/09/2008 – 17/09/2017	1.500
	10,399,999	–	–	(333,333)	–	–	10,066,666	18/09/2007	18/09/2009 – 17/09/2017	1.500
	10,400,003	–	–	(333,334)	–	–	10,066,669	18/09/2007	18/09/2010 – 17/09/2017	1.500
	3,433,332	–	–	(400,000)	–	(1,999,999)	1,033,333	25/09/2007	25/09/2008 – 24/09/2017	1.500
	3,433,332	–	–	(400,000)	–	(1,999,999)	1,033,333	25/09/2007	25/09/2009 – 24/09/2017	1.500
	3,433,336	–	–	(400,000)	–	(2,000,002)	1,033,334	25/09/2007	25/09/2010 – 24/09/2017	1.500
Sub-total	41,500,000	–	–	(2,200,000)	–	(6,000,000)	33,300,000			
Total	100,800,000	–	–	(4,600,000)	–	–	96,200,000			

43. SHARE OPTION SCHEME *(Continued)*

Notes:

1. Due to internal re-organization, certain "Other Participants" holding options under the Share Option Scheme had been re-classified. Consequently, 6,000,000 share options were re-classified from "Others" to "Employees".

2. All share options granted are subject to a vesting period and become exercisable in whole or in part in the following manner:

From the date of grant of share options	**Exercisable percentage**
Within 12 months	Nil
13th – 24th month	not more than 33 $^1/_3$%
25th – 36th month	not more than 66 $^2/_3$%
37th – 120th month	100%

3. 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.

No share options have been granted, exercised or cancelled during the year ended 31 December 2010. The Group recognised a share option expense of HK$9,445,000 (2009: HK$12,585,000) during the year ended 31 December 2010.

At the end of the reporting period, the Company had 96,200,000 share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 96,200,000 additional ordinary shares of the Company with additional share capital of HK$1,924,000 and share premium of HK$142,376,000 (before issue expenses).

The fair value of equity-settled share options granted during the year ended 31 December 2007 estimated as at the date of grant, taking into account the terms and conditions upon which the share options were granted by using a trinomial model amounted to HK$62,481,000. The following table lists the inputs to the model used:

	Share options granted in 2007
Dividend yield (%)	3.00
Average expected volatility (%)	101.01
Average historical volatility (%)	101.01
Average risk-free interest rate (%)	3.96
Expected life of share options (year)	3-5
Weighted average share price immediately preceding the grant of share options (HK$ per share)	0.88

The expected life of the share 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 share options granted was incorporated into the measurement of fair value.

44. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 25 to 26 of the financial statements.

(b) Company

	Notes	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 2009		193,524	223	195,775	31,006	248,498	669,026
Warrants exercised	42	121,303	–	–	–	–	121,303
Transfer to retained profits		(314,731)	–	(195,775)	–	510,506	–
Total comprehensive income for the year	11	–	–	–	–	580,129	580,129
Equity-settled share option arrangements		–	–	–	12,585	–	12,585
Effect of distribution of dividend in specie		–	–	–	–	(1,213,896)	(1,213,896)
Proposed final dividend	12	–	–	–	–	(29,714)	(29,714)
At 31 December 2009 and 1 January 2010		96	223	–	43,591	95,523	139,433
Warrants exercised	42	6,628	–	–	–	–	6,628
Total comprehensive loss for the year	11	–	–	–	–	(20,040)	(20,040)
Equity-settled share option arrangements		–	–	–	9,445	–	9,445
Proposed final dividend	12	–	–	–	–	(29,886)	(29,886)
At 31 December 2010		6,724	223	–	53,036	45,597	105,580

The Company's reserves available for distribution represent the share premium, capital redemption reserve, 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 and 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 2010 amounted to approximately HK$105,580,000 (2009: HK$139,433,000).

45. BUSINESS COMBINATIONS

On 14 October 2009, the Group acquired an 40% interest in Tianjin Garments, from the joint venture partner of Tianjin Garments. The purchase consideration for the acquisition amounts to RMB6,670,000 (equivalent to HK$7,570,000), which was paid in cash in October 2009. Subsequent to the acquisition, Tianjin Garments became a wholly-owned subsidiary of the Group.

The fair values of the identifiable assets and liabilities and contingent liabilities of Tianjin Garments as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000	**Carrying amount** HK$'000
Property, plant and equipment	15	435	435
Investment properties	16	13,961	5,417
Cash and bank balances		70	70
Trade receivables		126	126
Inventories		122	122
Prepayments, deposits and other receivables		12,364	12,364
Trade payables		(1,860)	(1,860)
Bank and other borrowings		(6,810)	(6,810)
Due to fellow subsidiaries		(366)	(366)
Other payables and accruals		(11,836)	(11,836)
Deferred tax liabilities	41	(2,136)	–
		4,070	(2,338)
Goodwill on acquisition	19	3,500	
Satisfied by cash		7,570	

The investment properties of Tianjin Garments were revalued on 14 October 2009 by BMI Appraisals Limited on an open market existing use basis.

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

	HK$'000
Cash consideration	7,570
Cash and bank balances acquired	(70)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiary	7,500

Since the acquisition on 14 October 2009, Tianjin Garment contributed a loss of HK$609,000 to the Group's consolidated profit for the year ended 31 December 2009.

46. DISPOSAL OF INTERESTS IN SUBSIDIARIES

On 23 July 2009, the Company issued a circular about the proposed conversion of the convertible notes with a total principal amount of HK$800 million carrying a right to subscribe for shares of SCL at HK$0.075 each (the "Conversion") held by Skychance Limited, an indirect wholly-owned subsidiary of the Company, and the proposal to declare a special interim distribution to be satisfied by way of a distribution in specie (the "Distribution") comprising the Company's entire beneficial shareholding in 11,020,580,869 shares of HK$0.01 each in SCL, representing approximately 98.6% of the issued share capital of SCL, held by the Company after the Conversion. As part of the conditions for the Distribution, the Group had agreed, at the request of SCL, to make a contribution in an amount of HK$280 million, including a capitalisation of loan from the Group amounted to HK$176 million at the date of the Distribution (the "Contribution"). Accordingly, an amount due to SCL of HK$104 million was recognised in the consolidated statement of financial position of the Group at the date of the Distribution. Immediately upon the Conversion and the Contribution, the Group's investment in SCL was approximately HK$1,214 million. Details of which are disclosed in the announcement and circular of the Company dated 3 July 2009 and 23 July 2009, respectively.

As detailed in the announcement of the Company dated 10 August 2009, the Distribution and Contribution in the conditions set out in the abovementioned circular were approved in the extraordinary general meeting held on 10 August 2009 and the Distribution was to be made on the basis of approximately 370.946 shares in SCL for every 100 ordinary shares in the Company held by the Company's shareholders whose names appeared on the register of members of the Company on 10 August 2009.

Following the Distribution, SCL and its subsidiaries (the "SCL Group") ceased to be subsidiaries of the Company. The results of SCL Group ceased to be accounted for in the consolidated financial statements of the Group.

SCL is a company engaged in the business of property development and magazines publication with its shares listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (stock code: 8155).

On 16 December 2009, the Company announced the disposal of Eagle Bonus Limited and its subsidiaries ("Eagle Bonus Group"), which is engaged in forest plantation in the PRC, to a subsidiary of South China Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability with its shares listed on The Stock Exchange of Hong Kong Limited, for cash consideration of HK$8.5 million. The Company and South China Holdings Limited are ultimately controlled by a substantial shareholder of the Company.

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

	SCL HK$'000	Eagle Bonus HK$'000	Total HK$'000
Net assets disposed of:			
Property, plant and equipment (note 15)	1,555	2,099	3,654
Prepaid land lease payments (note 17)	–	9,815	9,815
Goodwill (note 19)	24,203	–	24,203
Other non-current assets	139,129	–	139,129
Properties under development (note 24)	542,390	–	542,390
Cash and bank balances	51,177	2,131	53,308
Trade receivables	4,098	–	4,098
Prepayments, deposits and other receivables	21,797	252	22,049
Due from fellow subsidiaries	104,079	–	104,079
Due from a non-controlling shareholder of a subsidiary	28,569	–	28,569
Trade payables	(5,077)	(6)	(5,083)
Other payables and accruals	(47,229)	(3,210)	(50,439)
Interest-bearing bank and other borrowings	(307,594)	–	(307,594)
Due to fellow subsidiaries	–	(3,238)	(3,238)
Due to a related company	(4,167)	–	(4,167)
Non-controlling interests	(53,171)	–	(53,171)
Release of capital reserve	(4,122)	–	(4,122)
Release of merger reserve	85,786	–	85,786
Release of share option reserve	(1,827)	–	(1,827)
	579,596	7,843	587,439
Exchange reserve realised	(691)	(63)	(754)
Gain on disposal of subsidiaries	–	720	720
	578,905	8,500	587,405
Satisfied by:			
Cash	–	8,500	8,500
Special interim distribution (note 12)	578,905	–	578,905
	578,905	8,500	587,405

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

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

	SCL	**Eagle Bonus**	**Total**
	HK$'000	HK$'000	HK$'000
Cash consideration	–	8,500	8,500
Cash and bank balances disposed of	(51,177)	(2,131)	(53,308)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	(51,177)	6,369	(44,808)

Prior to the disposal, SCL Group and Eagle Bonus Group contributed a loss of HK$21,693,000 and HK$12,962,000, respectively, to the Group's consolidated profit for the year ended 31 December 2009.

47. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(i) As further detailed in notes 40 and 42 to the financial statements, during the year ended 31 December 2009, a substantial shareholder of the Group has exercised 245,302,933 warrants of the Company and the consideration of HK$98,121,000 was settled through offsetting the promissory notes and the interest accrued thereon totalling HK$98,121,000.

(ii) On 18 August 2009, the Company made Contribution to and increased its equity interest in SCL from 69.9% to 98.6% through the Conversion. These resulted in an increase in non-controlling interest and increase in goodwill of HK$21,700,000 immediately after the Conversion. On the same date, the Company disposed of SCL through the Distribution. Further details have been set out in note 46 to the financial statements.

48. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with banking facilities granted to:				
FWIL	**396,000**	396,000	**396,000**	396,000
Subsidiaries	**–**	–	**1,090,057**	923,957
Undertaking given to a former associate for banking facilities utilised by the former associate	**13,526**	13,526	**13,526**	13,526
	409,526	409,526	**1,499,583**	1,333,483

As at 31 December 2010, 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$446,568,000 (2009: HK$479,203,000) and the banking facilities granted to FWIL guaranteed by the Company granted was utilised to the extent attributable to the Group of approximately HK$343,350,000 (2009: HK$359,250,000).

49. PLEDGE OF ASSETS

Assets pledged to secure the banking facilities granted to the Group at the end of the reporting period are analysed as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Net book value of pledged assets:		
Leasehold land and buildings (note 15)	**88,707**	103,170
Investment properties (note 16)	**327,910**	315,607
Non-current assets classified as held for sale (note 25)	**379,210**	281,950
Inventories (note 26)	**141,359**	150,446
Trade receivables (note 27)	**2,834**	7,705
	940,020	858,878

50. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 16 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to ten 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 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**48,458**	39,028
In the second to fifth years, inclusive	**85,517**	85,717
Over five years	**858**	7,777
	134,833	132,522

(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 ten years, and those for office properties are for terms of one to two years.

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**12,227**	7,967
In second to fifth years, inclusive	**34,466**	21,337
Over five years	**57,194**	52,860
	103,887	82,164

51. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 50 (b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted but not provided for:		
Land and buildings	**20,367**	–
Machinery and equipment	**6,537**	2,688
Land use rights	**24,753**	5,590
	51,657	8,278
Authorised but not contracted for:		
Property, plant and equipment	**47,598**	79

52. RELATED PARTY TRANSACTIONS

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

	Notes	**2010** **HK$'000**	2009 HK$'000
Interest expense paid to an intermediate holding company *	(ii)	–	(274)
Transactions with associates:			
Interest income	(iii)	**57**	61
Rental income received	(i)	–	1,544
Transactions with fellow subsidiaries:			
Rental income **	(i)	–	1,542
Air tickets and travel related services purchased *	(i)	–	(1,224)
Transactions with related companies#:			
Rental income received **	(i)	**5,867**	5,203
Air tickets and travel related services purchased *	(i)	**(2,921)**	(1,192)
Colour separation and photo processing fees paid *	(iv)	–	(118)
Interest expense paid *	(v)	**(9)**	(466)
Interest expense paid to a director *	(ii)	–	(663)

52. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

The related companies are controlled by a substantial shareholder, who is also a director of the Company.

Notes:

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

(ii) The interest expense was charged at Hong Kong dollar prime rate per annum on the advances from a director and an intermediate holding company.

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

(iv) These transactions were conducted in accordance with the terms mutually agreed between the Group and the related companies.

(v) The interest expense was charged at Hong Kong dollar prime rate per annum with reference to the terms offered to similar customers of the related company.

(b) Other transactions with related parties:

(i) In 2009, a substantial shareholder exercised 245,302,933 warrants and the related consideration was settled through offsetting the promissory notes held by the substantial shareholder and interest accrued thereon. Details of the transaction are set out in notes 40 and 42 to the financial statements.

(ii) Details of a guarantee given by the Group in respect of the banking facilities granted to FWIL are set out in note 21 to the financial statements.

(c) Outstanding balances with related parties:

Details of the balances with related parties at the end of the reporting period are included in notes 21, 29, 30, 31, 37 and 38 to the financial statements.

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

The executive directors 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.

** The related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. Further details of the transactions are disclosed in the section headed "Connected and Continuing Connected Transactions" in the Report of the Directors.

53. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group **2010**

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Advances to associates (note 21)	–	16,312	–	16,312
Available-for-sale financial assets (note 22)	–	–	53,432	53,432
Trade receivables	–	142,134	–	142,134
Financial assets included in prepayments, deposits and other receivables	–	78,072	–	78,072
Due from an associate (note 30)	–	7,499	–	7,499
Financial assets at fair value through profit or loss (note 32)	25,698	–	–	25,698
Cash and bank balances	–	118,741	–	118,741
	25,698	362,758	53,432	441,888

Group **2010**

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	293,861
Financial liabilities included in other payables and accruals	308,056
Interest-bearing bank and other borrowings (note 36)	504,399
Advances from non-controlling shareholders of subsidiaries	54,354
Advance from directors (note 31)	3,379
	1,164,049

53. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group 2009

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Advances to associates (note 21)	–	16,312	–	16,312
Available-for-sale financial assets (note 22)	–	–	41,901	41,901
Trade receivables	–	155,773	–	155,773
Financial assets included in prepayments, deposits and other receivables	–	72,743	–	72,743
Due from a related company (note 30)	–	3,205	–	3,205
Due from an associate (note 30)	–	16,442	–	16,442
Financial assets at fair value through profit or loss (note 32)	22,052	–	–	22,052
Cash and bank balances	–	174,907	–	174,907
	22,052	439,382	41,901	503,335

Group 2009

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	288,384
Financial liabilities included in other payables and accruals	223,877
Interest-bearing bank and other borrowings (note 36)	508,681
Advances from a non-controlling shareholder of subsidiaries	50,043
Due to related companies (note 31)	15,688
Advance from a director	38,409
	1,125,082

53. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

Financial assets

	Loans and receivables	
	2010	2009
	HK$'000	HK$'000
Due from subsidiaries (note 20)	**1,423,734**	1,515,023
Other receivables	**578**	10,572
Cash and bank balances	**97**	268
	1,424,409	1,525,863

Company

Financial liabilities

	Financial liabilities at amortised cost	
	2010	2009
	HK$'000	HK$'000
Due to related companies (note 31)	**–**	15,187
Due to subsidiaries (note 20)	**1,462,018**	1,514,887
Financial liabilities included in other payables and accruals	**1,170**	1,236
	1,463,188	1,531,310

54. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010 and 2009.

Fair value hierarchy

The Group uses the following hierarchy in determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2010 and 2009, the financial instruments measured at fair value held by the Group were classified as Level 1.

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).

	Group	
	Change in basis point	**Change in profit before tax** HK$'000
2010		
Hong Kong dollar	**50**	**2,000**
RMB	**50**	**479**
2009		
Hong Kong dollar	50	1,973
RMB	50	495

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

Foreign currency risk

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to 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 change in exchange rate of Hong Kong dollars against United States dollars would be insignificant and the appreciation in Renminbi against Hong Kong dollars would be a gradual process. As such, 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 gradual appreciation in Renminbi will further benefit the Group's net assets position in Mainland China.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Renminbi exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Group	
	Change in foreign exchange rate	**Increase/ (decrease) in profit before tax**
	%	HK$'000
2010		
If Hong Kong dollar weakens against:		
RMB	**5**	**(8,787)**
If Hong Kong dollar strengthens against:		
RMB	**5**	**8,787**
2009		
If Hong Kong dollar weakens against:		
RMB	5	(6,467)
If Hong Kong dollar strengthens against:		
RMB	5	6,467

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

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, financial assets 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. At 31 December 2010, the Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 48 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 75% (2009: 66%) of the Group's trade receivables were due from the Group's five largest customers within the trading and manufacturing segment.

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 and other interest-bearing loans.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group	**2010**			
	Within 1 year or on demand HK$'000	**More than 1 year but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total HK$'000**
Trade and bills payables	293,861	–	–	293,861
Other payables	308,056	–	–	308,056
Interest-bearing bank and other borrowings	413,162	59,939	37,162	510,263
Advances from non-controlling shareholders of subsidiaries	23,943	30,411	–	54,354
Advance from directors (note 31)	3,379	–	–	3,379
	1,042,401	90,350	37,162	1,169,913

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

Liquidity risk *(Continued)*

Group	2009			
	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000
Trade and bills payables	288,384	–	–	288,384
Other payables	223,877	–	–	223,877
Interest-bearing bank and other borrowings	410,019	83,456	22,879	516,354
Advances from non-controlling shareholders of subsidiaries	20,697	29,346	–	50,043
Due to related companies (note 31)	15,688	–	–	15,688
Advance from a director	–	38,409	–	38,409
	958,665	151,211	22,879	1,132,755

Company	**2010**		
	Within 1 year or on demand HK$'000	**More than 1 year but less than 5 years HK$'000**	**Total HK$'000**
Other payables	**1,170**	**–**	**1,170**
Due to subsidiaries (note 20)	**–**	**1,462,018**	**1,462,018**
	1,170	**1,462,018**	**1,463,188**

Company	2009		
	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000	Total HK$'000
Other payables	1,236	–	1,236
Due to related companies (note 31)	15,187	–	15,187
Due to subsidiaries (note 20)	–	1,514,887	1,514,887
	16.423	1,514,887	1,531,310

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

Equity price risk

The market equity indices for the following stock exchange, at the close of business in the trading day nearest to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2010	**High/low 2010**	31 December 2009	High/low 2009
Hong Kong – Hang Seng Index	**23,035**	**24,989/ 18,972**	21,872	23,099/ 11,344

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 end of the reporting period.

	Carrying amount of equity investments HK$'000	**Change in profit before tax** HK$'000
2010		
Investments held for trading listed in:		
Hong Kong	**24,282**	**2,428**
Mainland China	**1,416**	**142**
2009		
Investments held for trading listed in:		
Hong Kong	20,587	2,059
Mainland China	1,465	147

Capital management

The primary objectives of the Group's capital management are 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 for managing capital during the two years ended 31 December 2010 and 2009.

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

Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group's policy is to maintain the gearing ratio below 50%. Net debt includes interest-bearing bank and other borrowings less cash and bank balances. Capital includes total equity. The gearing ratios at the ends of the reporting periods were as follows:

Group

	2010 **HK$'000**	2009 HK$'000
Interest-bearing bank and other borrowings	**504,399**	508,681
Less: Cash and bank balances	**(118,741)**	(174,907)
Net debt	**385,658**	333,774
Capital	**2,333,288**	1,878,010
Capital and net debt	**2,718,946**	2,211,784
Gearing ratio	**14.2%**	15.1%

56. EVENT AFTER THE REPORTING PERIOD

(a) ***Acquisitions of certain companies primarily engaged in forest plantation business in the PRC:***

On 11 January 2011, a wholly-owned subsidiary of the Company ("Purchaser I") entered into an agreement with a wholly-owned subsidiary of South China Holdings Limited ("SCH"), an exempted company incorporated in the Cayman Islands with limited liability and its shares listed on The Stock Exchange of Hong Kong Limited ("Vendor I"). Pursuant to the agreement, Purchaser I agreed to acquire certain companies primarily engaged in forest plantation business in the PRC from the Vendor I for a consideration of HK$23.8 million which is subject to adjustment in accordance with the terms of the agreement as detailed in the announcement of the Company dated 11 January 2011. The Company and SCH are ultimately controlled by the substantial shareholder of the Company. The transaction was completed on 31 January 2011.

On 11 January 2011, a wholly-owned subsidiary of the Company ("Purchaser II") entered into an agreement with a wholly-owned subsidiary of South China Land Limited ("SCL"), an exempted company incorporated in the Cayman Islands with limited liability and its shares listed on The Stock Exchange of Hong Kong Limited ("Vendor II"). Pursuant to the agreement, Purchaser II agreed to acquire certain companies primarily engaged in forest plantation business in the PRC together with the shareholder's loan outstanding as at 31 March 2011 from Vendor II for a consideration of HK$24.1 million which is subject to adjustment in accordance with the terms of the agreement as detailed in the announcement of the Company dated 11 January 2011. The Company and SCL are ultimately controlled by the substantial shareholder of the Company. The transaction will complete on 31 March 2011.

(b) ***Provision of loan***

On 15 March 2011, a wholly-owned subsidiary of the Company ("Lender") entered into a loan agreement with a wholly-owned subsidiary of SCL ("Borrower") pursuant to which the Lender agreed to grant to the Borrower a loan for a sum of HK$78.0 million upon and subject to the terms and conditions set out in the aforesaid loan agreement. Details of this transaction are disclosed in the announcement of the Company dated 15 March 2011. The Company and SCL are ultimately controlled by the substantial shareholder of the Company.

57. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment.

58. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2011.

59. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2010 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
Beat Time Enterprises Limited	British Virgin Islands ("BVI")	US$1	100%	Investment holdings
Bewise Developments Limited	BVI	US$1	100%	Investment holdings
Copthorne Holdings Corp.	Republic of Panama/ Hong Kong	US$200	100%	Property investment
Eastand Investments Limited	Hong Kong	HK$2	100%	Investment holding
Everwin Toys (Dongguan) Co., Ltd (note d)	The PRC/ Mainland China	HK$27,500,000	100%	Manufacturing of toys
Full Grown Limited	BVI	US$1	100%	Investment holdings
Guang Dong Huaxin Fruit Development Co. Ltd. (note d)	The PRC/ Mainland China	US$7,500,000	100%	Fruit plantation
Lion Strength Group Limited	BVI	US$1	100%	Investment holdings
Micon Limited	Hong Kong	HK$2	100%	Investment holding
Nanjing South China Dafang Electric Co., Ltd (note c)	The PRC/ Mainland China	RMB77,550,000	93.63%	Property investment

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
Nanjing South China Huaguan Compressor Ltd. (note c)	The PRC/ Mainland China	RMB61,230,000	100%	Property investment
Nanjing South China Sanda Motor Co. Ltd. (note c)	The PRC/ Mainland China	RMB18,940,000	100%	Property investment
Nanjing South China Santa Machinery Co., Ltd. (note c)	The PRC/ Mainland China	RMB54,900,000	92.65%	Property investment
南京液壓件二廠有限公司 (note c)	The PRC/ Mainland China	RMB2,345,600	85%	Property investment
南京第二壓縮機有限公司 (note d)	The PRC/ Mainland China	RMB16,756,800	100%	Property investment
南京電機有限公司 (note d)	The PRC/ Mainland China	RMB25,261,300	100%	Property investment
南京微分電機有限公司 (note c)	The PRC/ Mainland China	RMB29,035,500	87%	Property investment
Nority Development Limited	BVI	US$2	100%	Property holding
Prime Prospects Limited	Hong Kong	HK$100,000	70%	Property investment
Proleap Limited	BVI	US$1	100%	Investment holdings
Rich Dynamics Limited	BVI	US$1	100%	Investment holdings
Right Focus Developments Limited	BVI	US$1	100%	Investment holdings
Shineway Footwear Limited	Hong Kong	HK$500,000	100%	Trading of shoes
Sino Pioneer International Limited	BVI	US$1	100%	Investment holdings
Soncastle Investments Limited	BVI	US$1	100%	Investment holdings
South China Industries (BVI) Limited (note a)	BVI	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 Shoes Products Company Limited	Hong Kong	HK$500,000	100%	Trading of footwear products
South China Strategic (BVI) Limited	BVI	US$1	100%	Investment holdings
South China Strategic Limited	Hong Kong	HK$308,593,789	100%	Investment holding
South China Strategic Properties (BVI) Limited	BVI	US$1	100%	Property Investment
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
Spring Joy Industrial Limited	BVI	US$1	100%	Investment holdings
Strategic Finance Limited	Hong Kong	HK$2	100%	Provision of financing services
泰美華升(惠州)電子有限公司 (note d)	The PRC/ Mainland China	US$1,500,000	70%	Manufacturing and trading of electronic products
Tianjin South China Leather Chemical Products Co. Ltd. (note c)	The PRC/ Mainland China	RMB20,516,500	80%	Manufacturing of leather chemical products
Tianjin South China Leesheng 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

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
Truth Resources Limited	BVI	US$1,000	100%	Investment holdings
Wahheng Toys (Shenzhen) Co., Ltd (note d)	The PRC/ Mainland China	US$8,000,000	100%	Manufacturing of toys
Wah Shing (BVI) Limited	BVI	US$1,000	100%	Investment holding
Wah Shing Electronics Company Limited	Hong Kong/ Mainland China	HK$571,500	70%	Manufacturing and trading of toys
Wah Shing International Holdings Limited	Bermuda	HK$54,432,000	100%	Investment holdings
Wah Shing Toys Company Limited	Hong Kong	HK$2 ordinary and HK$3,020,002 Non-voting deferred (note b)	100%	Trading of toys
Welbeck Holdings Limited	BVI	US$1	100%	Investment holdings
WTS International (BVI) Limited	BVI	US$1	100%	Investment holdings

Notes:

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

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

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

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

The above summary lists only the subsidiaries which, in the opinion of the 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 principal associate at 31 December 2010 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 development

The financial statements of FWIL are not coterminous with those of the Group as FWIL has a financial year end date of 30 June.

The Group's shareholding in FWIL comprises equity shares held through an indirect wholly-owned subsidiary of the Company.

The above summary lists only the associate which, in the opinion of the directors, principally affects the results or assets of the Group. To give details of 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

Year ended 31 December 2010

A summary of the results and of the assets, liabilities and non-controlling 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				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (restated)
REVENUE	**2,648,673**	1,893,080	1,934,033	2,113,362	2,070,954
PROFIT BEFORE TAX	**447,049**	390,458	84,228	415,664	344,452
INCOME TAX	**(22,696)**	(12,788)	(17,910)	(1,641)	(19,873)
PROFIT FOR THE YEAR	**424,353**	377,670	66,318	414,023	324,579
ATTRIBUTABLE TO:					
Owners of the Company	**412,778**	383,277	78,004	413,820	333,587
Non-controlling interests	**11,575**	(5,607)	(11,686)	203	(9,008)
	424,353	377,670	66,318	414,023	324,579

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (restated)
TOTAL ASSETS	**3,903,221**	3,385,742	3,595,936	3,088,204	2,984,075
TOTAL LIABILITIES	**(1,569,933)**	(1,507,732)	(1,688,349)	(1,352,556)	(1,586,469)
NON-CONTROLLING INTERESTS	**(97,721)**	(86,415)	(135,808)	(93,853)	(93,992)
	2,235,567	1,791,595	1,771,779	1,641,795	1,303,614

Details of Properties

A. INVESTMENT PROPERTIES

	Location	Group's interest	Existing use
(1)	**Hong Kong**		
	The Centrium No. 60 Wyndham Street Central Hong Kong	30%	Commercial
	The 1st floor and 2nd floor On Lok Yuen Building and the four lavatories thereof Nos. 25, 27 & 27A Des Voeux Road Central Hong Kong	100%	Commercial
	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 B on 6th Floor Units A, B 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, 17, 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
	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
	Flats A, B, C and D on 1st Floor Fu Fung Building Nos. 5-7 Tsing Fung Street North Point Hong Kong	100%	Commercial
	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

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(1)	**Hong Kong** *(Continued)*		
	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
	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
	The Whole of 4th Floor McDonald's Building Nos. 46-54 Yee Wo Street Causeway Bay Hong Kong	100%	Commercial
(2)	**Mainland China**		
	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
	Various buildings erected upon a land parcel located at No. 166 Yingtian West Road, Jianye District, Nanjing City, Jiangsu Province, the PRC	100%	Commercial

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(2)	**Mainland China** *(Continued)*		
	4th Floor No. 64 Ertiao Lane Baixia District, Nanjing City, Jiangsu Province, the PRC	100%	Commercial
	Various buildings and two land parcels located at No. 104 & 160 Fenghuang East Road, Luhe District, Nanjing City, Jiangsu Province, the PRC	100%	Commercial
	Various buildings and a land parcel located at No. 262 Yuhua West Road, Yuhuatai District, Nanjing City, Jiangsu Province, the PRC	100%	Commercial
	Various buildings and a land parcel located at No. 160 Honghua Village, Honghua Town, Qinhuai District, Nanjing City, Jiangsu Province, the PRC	92.65%	Commercial
	A building and land parcel located at No. 2 Tuoyuan, Nanhu Street, Jianye Zone, Nanjing City, Jiangsu Province, the PRC	92.65%	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

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(2)	**Mainland China** *(Continued)*		
	Various buildings and a land parcel located at 462 Da Gu Nan Road Hexi District Tianjin The PRC	100%	Commercial
	Various buildings and a land parcel located at 51 Sudi Road Nankai District Tianjin The PRC	100%	Commercial/ Industrial
	Unit C on 15th Floor World Trade Plaza No. 71 Wusi Road Fuzhou, Fujian Province The PRC	100%	Commercial
	Nority Industrial Building No. 4 Xiaobian Industrial District Changan Town Dougguan City Guangdong Province The PRC	100%	Industrial

B. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Location	Gross floor area	Group's interest	Existing use
(1)	**Hong Kong**			
	Unit A and B, Ground Floor Cheung Wah Industrial Building Nos. 10-12 Shipyard Lane Quarry Bay Hong Kong	11,897 sq.ft.	100%	Commercial and industrial
	Unit No. 78 on 2nd Floor Units Nos. 4, 5, 6, 7 and 8 on 3rd floor Houston Centre No. 63 Mody Road Tsim Sha Tsui Kowloon Hong Kong	11,947 sq.ft.	100%	Commercial
	Four Seas Jade Centre Nos. 530, 532, 534 and 536 Canton Road Yau Ma Tei Kowloon Hong Kong	8,759 sq.ft.	100%	Commercial

B. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

	Location	Gross floor area	Group's interest	Existing use
(1)	**Hong Kong** *(Continued)*			
	Ground Floor to 5th Floor (The Whole Block) Nos. 18-20 Ming Fung Street Wong Tai Sin Kowloon Hong Kong	6,060 sq.ft.	100%	Residential/ commercial
	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	17,750 sq.ft.	100%	Industrial and carparking
(2)	**Mainland China**			
	Grand Hotel Four Seas Kai Cheung Da Dao Danshui Huiyang City, Guangdong Province The PRC	82,740 sq.ft.	100%	Commercial
(3)	**Taiwan**			
	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	7,894 sq.ft.	100%	Commercial
	No. 1-1 Mokeng Lane Mingjian Township Nantou County Taiwan	56,911 sq.ft.	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	3,135 sq.ft.	100%	Commercial and carparking