Annual Report 2011

South China Holdings Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 265

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE*

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

(* A Remuneration and Nomination Committee comprising the above same members was established on 27 March 2012 to replace the original Remuneration Committee)

COMPANY SECRETARY

Mr. Zhu Ben Yu

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of Nanjing Co., Ltd.
Daxinggong Sub-branch,
Nanjing City, Jiangsu Province
Industrial and Commercial
Bank of China Limited
Chengbei Sub-branch,
Nanjing City, Jiangsu Province

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

265

WEBSITE

http://www.sctrade.com

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011.

FINANCIAL SUMMARY

The Group recorded revenue of HK$152.3 million and a loss attributable to owners of the Company of HK$16.7 million for the year ended 31 December 2011. As compared to 2010, revenue increased by 17.2% due to increase in revenue from our jewellery business. During the year ended 31 December 2011, the Group has disposed of the entire interest in Thousand China Investments Limited ("Thousand China") and the entire issued share capital in Genion Limited, as further detailed under the section "Material Acquisitions And Disposals of Subsidiaries and Associates". In this regard, the Group discontinued its information technology and forestry business thereafter and recorded a loss for the year from discontinued operations of HK$19.2 million.

The Group's principal businesses of travel related services and trading and manufacturing remained profitable and fundamentally sound.

DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

BUSINESS REVIEW

The Group recorded revenue of HK$152.3 million and a net loss of HK$26.5 million for the year ended 31 December 2011. The principal businesses of the Group include travel related and other services and trading and manufacturing.

Travel Related and Other Services

Travel related and other services recorded revenue of HK$94.3 million (2010: HK$97.7 million) and an 16.4% decrease in profit from operations to HK$26.5 million (2010: HK$31.7 million). The decrease in profit from operations was mainly due to the increase in operating expenses, the impact of Japan's earthquake and Thailand's flooding in 2011.

Travel related and other services included revenue from Hong Kong Four Seas Tours amounting to HK$89.0 million (2010: HK$91.0 million). As compared to 2010, Hong Kong Four Seas Tours recorded a 14.3% growth of gross sales proceeds received and receivables. Our gross revenue was boosted by the increase in business travel as well as the increase in airfare in 2011. As corporate clients continue to seek high quality services, Hong Kong Four Seas Tours has been able to increase its market share in the past few years. The enlarged global corporate client base enabled us to expand MICE (meeting, incentive, conference, event) operation in the past years.

Trading and Manufacturing

In addition to the distribution and sale of jewellery products such as precious stones, jade, gold and silver in our flagship store in Nanjing and counters of large department stores in Nanjing and Maanshan, our manufacturing operation is located in Nanjing and is engaged in the production of jewellery. Jewellery business recorded a 79.7% increase in revenue to HK$58.0 million (2010: HK$32.3 million) and 125.5% increase in profit from operations to HK$3.2 million (2010: HK$1.4 million). During the year, we had closed non-profitable counters and opened new counters in department stores in Maanshan.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had a current ratio of 1.34 and a gearing ratio of 17.0% (31 December 2010: 1.41 and 18.7% respectively). The gearing ratio was computed by the Group's net debt divided by capital plus net debt. 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 2011, 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 2011 and up to the date of this Annual Report. As compared to the 2010 Annual Report, there was no material change in the Group's capital structure. Details of the Group's debt maturity profile are set out in note 44 to the financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

On 31 January 2011, the Group disposed of its entire interest in Thousand China to a direct wholly-owned subsidiary of South China (China) Limited ("SCC"), of which a director of the Company is its controlling shareholder, for a consideration of HK$28,875,000, which was determined on the net asset value of Thousand China and its subsidiaries (collectively "Thousand China Group") at the completion date. The Group recognized the net results of a loss of HK$155,000, which included the operating results of Thousand China Group of a loss of HK$585,000 and the gain on disposal of Thousand China Group of HK$430,000, included in "Discontinued Operations" in the Group's consolidated income statement for the year ended 31 December 2011.

On 29 July 2011, the Company announced the disposal of the entire issued share capital in Genion Limited, which owns 60% equity interests in Chongqing South China Zenith Information Technology Co., Ltd. (重慶南華中天信息技術有限公司), which in turn owns 100% equity interests in Chongqing Zenith International Information Technology Co., Ltd.* (重慶中天國際信息技術有限公司), 50% equity interests in Chongqing Jin Tung Tai Information Technology Co., Ltd.* (重慶金通泰信息技術有限公司) and 18% equity interests in Chongqing Fortuna Information Technology Co., Ltd. (重慶運通資訊科技有限公司) (collectively "Genion Group"). The purchaser and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company (other than the 18% equity interests in Chongqing Fortuna Information Technology Co., Ltd. (being a subsidiary of the Company) to be held by the purchaser upon completion of the said transaction). The aggregate consideration is HK$11 million, upon and subject to the terms and conditions of the relevant sales and purchase agreement. Details of the transaction (including the provision of the indemnity in favour of the purchaser (which is subject to a maximum cap of HK$11 million and will be valid for 2 years from the date of the said sale and purchase agreement)) are disclosed in the announcement and circular of the Company dated 29 July 2011 and 22 August 2011 respectively. The said transaction was completed on 25 August 2011.

On 12 September 2011, the Company received demand from the purchaser requiring the Company to indemnify the purchaser in the sum of HK$11 million to the purchaser. The Company was informed by the purchaser that Chongqing South China Zenith Information Technology Co., Ltd. had recently been required to pay a sum exceeding HK$11 million to the relevant local government authority in respect of the contingent liabilities after the completion date. Further details are set out in the Company's announcement dated 12 September 2011.

The Group recognized the net results of a loss of HK$19,046,000, which included the operating results of Genion Group of a loss of HK$4,726,000 and the loss on disposal of Genion Group of HK$14,320,000, included in "Discontinued Operations" in the Group's consolidated income statement for the year ended 31 December 2011.

Please refer to details set out in note 12 to the financial statements.

* *for identification purpose*

PLEDGES OF ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2011, 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 inventories, trade receivables and bank deposits 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 37 and 38 to the financial statements.

The Group had capital commitments contracted, but not provided for land in Mainland China of approximately HK$3,494,000 (2010: HK$3,329,000) at the end of the reporting period. Details of the Group's capital commitments are set out in note 40 to the financial statements.

INVESTMENTS

The Group held some remaining shares and warrants of SCC after distribution in specie of SCC shares to the Company's shareholders in June 2009. In July 2009, the Group exercised the SCC warrants held which were then converted to SCC shares. In August 2009, SCC paid a special dividend for its entire interest in South China Land Limited ("SCL") to its shareholders by means of distribution in specie. During the year, shares of SCL recorded a fair value loss of HK$19.7 million on financial assets at fair value through profit or loss in the Consolidated Income Statement and shares of SCC recorded a fair value loss of HK$3.8 million on available-for-sales financial assets in the Consolidated Statement of Comprehensive Income.

EMPLOYEES

As at 31 December 2011, the total number of employees of the Group for continuing operations was 381 (2010: 362). Employees' cost (including directors' emoluments) for continuing operations amounted to approximately HK$56.4 million for the year (2010: approximately HK$58.6 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 has adopted a share option scheme that came into effect on 28 June 2002.

PROSPECTS

Hong Kong Four Seas Tours will continue to enhance its internet booking platform in order to complement its sales network and improve its efficiency and competitiveness. The alliance with our global partner, Travel Solution International, will enable Hong Kong Four Seas Tours to expand its global client base.

We expected that the economic recovery in United States of America and European Union and relaxation of monetary policy in many developed and developing countries will create positive effect on global travel business.

We plan to open more counters in department stores to expand our point-of-sale in Nanjing's operation, in order to achieve continuity in revenue growth. In addition, we will strengthen and consolidate the scale of sale and profitability of the existing point-of-sale in the coming year.

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, 27 March 2012

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 62, 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"), SCC and 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.

Mr. Richard Howard Gorges, aged 68, is an Executive Director of the Company. He is also an executive director and the vice-chairman of SCC and SCF and an executive director of 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.

Ms. Cheung Choi Ngor, aged 58, is an Executive Director of the Company. Ms. Cheung is also an executive director, the vice-chairman and chief executive officer of SCC, and an executive director and a vice-chairman of SCF 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. Ng Yuk Fung, **Peter**, aged 31, is an Executive Director of the Company. He is also an executive director of SCC 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 the Nanjing Municipal Committee of the Chinese People's Political Consultative Conference. 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. Mr. Ng was appointed as an Executive Director of the Company on 15 September 2003.

NON-EXECUTIVE DIRECTORS

Ms. Ng Yuk Mui, **Jessica**, aged 33, is a Non-executive Director of the Company. She is also a non-executive director of SCC and SCL, and the chief executive officer of South China Media Limited. She holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom, and was admitted to the Hong Kong Bar in 2006. Ms. Ng is an associate member of the Chartered Institute of Management Accountants and a member of the Tianjin Municipal Committee of Chinese People's Political Consultative Conference. She is the daughter of Mr. Ng Hung Sang, the Chairman of the Company, and the sister of Mr. Ng Yuk Fung, Peter, an Executive Director of the Company. Ms. Ng was appointed as an Executive Director of the Company on 15 September 2003 and re-designated as a Non-executive Director of the Company with effect from 1 July 2005.

Mr. David Michael Norman, aged 55, is a Non-executive Director of the Company and a solicitor. He studied philosophy and psychology at Oxford University in the United Kingdom and was admitted as a solicitor in the United Kingdom in 1981 and in Hong Kong in 1984 respectively. He was appointed as an Independent Non-executive Director of the Company on 16 January 1995 and re-designated as Non-executive Director of the Company on 21 September 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. David John Blackett, aged 61, is an Independent Non-executive Director of the Company and was the Chairman for the Asia Pacific region of the CIT Group Inc. of the United States of America. He studied commerce at The University of Edinburgh and also become a member of the Institute of Chartered Accountants in Scotland. He has extensive experience in investment banking and finance, having previously been the Managing Director of NM Rothschild & Sons (Hong Kong) Limited. He was also a director of Shanghai Chlor-Alkali Chemical Company Limited which is listed on Shanghai Stock Exchange in The People's Republic of China and retired as a director on 12 December 2006. In 2008, he was appointed as a non-executive director of R.E.A. Holdings plc, a company listed in the UK, principally involved in oil palm plantations in Indonesia. Mr. Blackett was appointed as an Independent Non-executive Director of the Company on 25 May 2000.

Mrs. Tse Wong Siu Yin, Elizabeth, aged 54, is an Independent Non-executive Director of the Company. She is also an independent non-executive director of SCC and SCF. She is the Chairman of the Hong Kong Flower Retailers Association, the Convenor of Youth Skills Competition in Floristry of Vocational Training Council and she received an award of the Hundred Outstanding Women Entrepreneur in China in 2009. Mrs. Tse holds a Bachelor degree of Science from the University of Western Ontario in Canada. Mrs. Tse was appointed as an Independent Non-executive Director of the Company on 21 September 2004.

Mr. Cheng Hong Kei, aged 57, is an Independent Non-executive Director of the Company. He is also an independent non-executive director of Waytung Global Group Limited (formerly known as Beauforte Investors Corporation Limited) and Jayden Resources Inc. and also a co-founding director of Cheng & Cheng Limited, Certified Public Accountants, in Hong Kong. He studied accountancy at Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and was admitted as a Certified Public Accountant in Hong Kong in 1991. Mr. Cheng has over 30 years of experience in the accounting field. Prior to establishing of his own practice, he worked as an assessor for the Hong Kong Inland Revenue Department for 12 years. Mr. Cheng is a fellow member of each of the Chartered Association of Certified Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Certified Public Accountants (Practicing). He was appointed as an Independent Non-executive Director of the Company on 28 September 2004.

Directors' Report

The Directors of the Company submit their report and the audited consolidated financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in sale of airline tickets and travel package, provision of hotel accommodation booking and other travel related services, implementation and marketing of software and system development and other information technology related services, property investment and development, forestry business and trading and manufacturing of jewellery products.

During the year ended 31 December 2011, the Group has disposed of the entire interest in Thousand China and the entire issued share capital in Genion Limited. In this regard, the Group discontinued its information technology and forestry businesses.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 98 of this Annual Report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: Nil).

SUMMARY OF FINANCIAL INFORMATION

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 audited financial statements and restated/reclassified as appropriate, is set out on page 99 of this Annual Report. The summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements respectively. Further details of the Group's investment properties are set out on page 100 of this Annual Report.

SHARE CAPITAL AND SHARE OPTIONS

There was no change in either the authorized capital or the issued capital of the Company during the year. Details of share capital and share options of the Company during the year are set out in notes 33 and 34 to the financial statements respectively.

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 2011, 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 35 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2011, 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$102,510,000.

DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

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

Independent Non-executive Directors:

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

In accordance with Article 116 of the articles of association of the Company, Ms. Ng Yuk Mui, Jessica, Mr. Ng Yuk Fung, Peter, and Mr. David Michael Norman 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 Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") from each of the Independent Non-executive Directors, namely Mr. David John Blackett, Mrs. Tse Wong Siu Yin, Elizabeth and Mr. Cheng Hong Kei for the year ended 31 December 2011 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 pages 7 and 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 2011, 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 (the "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") as set out in Appendix 10 of the Listing Rules, were as follows:

The Company

(i) *Long positions in shares*

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

(ii) *Long positions in underlying shares*

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

Notes:

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

(b) Please refer to details set out in note 34 to the financial statements under the section "Share Option Scheme".

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executives of the Company had registered any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register which was required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Directors and employees of the Group 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 34 to the financial statements. Details of the options granted by the Company to the Directors were set out under the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" of this Annual 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 acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors, 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 ended 31 December 2011 and up to the date of this Annual Report (where applicable) between the Group and other companies in which a Director of the Company has beneficial interest are set out in note 41 to the financial statements and the sections "Connected and Continuing Connected Transactions" of this Annual Report.

Save as disclosed above, no contract 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 contract for the management and administration of the whole or any substantial part of the business of the Company was 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 2011, 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 pursuant to Section 336 of the SFO:

Long positions in shares

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

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

Save as disclosed above, as at 31 December 2011, no person, other than the Directors or chief executives of the Company whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation", had registered any interests or short positions in the shares or underlying shares of the Company in the register 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 SCC and SCL.

Mr. Ng Yuk Fung, Peter, Ms. Cheung and Mr. Gorges are the executive directors of both SCC and SCL while Ms. Ng Yuk Mui, Jessica is a non-executive director of SCC and SCL. Ms. Cheung and Mr. Gorges also hold certain corporate interests in SCC and SCL jointly with Mr. Ng.

Certain subsidiaries of SCC and SCL are engaged in property investment and development business which are considered as competing businesses of the Group.

Mr. Ng and Mr. Ng Yuk Fung, Peter are the directors and shareholders of Anwell Profits Limited ("Anwell") which is engaged in the information technology business.

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

The Directors are of the view that the Group can carry on its property investment and development business independently of and at arm's length from the business of SCC and SCL as there is no direct competition amongst the three listed groups. For information technology business, the Group has its own target markets which are different from Anwell.

Save as disclosed above, as at 31 December 2011, 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 20 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of the compliance by the Company with the Model Code 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 41 to the financial statements.

CONNECTED TRANSACTION

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

In January 2011, the Group disposed its entire interest in Thousand China to a direct wholly-owned subsidiary of SCC, of which a director of the Company is its controlling shareholder, for a consideration of HK$23.8 million. Thousand China Group is engaged in forestry plantation in the People's Republic of China. Details of the disposal are disclosed in the announcement of the Company dated 11 January 2011. The transaction was completed on 31 January 2011 and Thousand China was sold for a consideration of HK$28,875,000, which was determined on the net assets value of Thousand China Group at the completion date. Following the disposal, Thousand China Group ceased to be subsidiaries of the Company and the forestry business which was carried out by Thousand China Group became a discontinued operation of the Group.

As at 11 January 2011, Mr. Ng, the Chairman, the executive director and a substantial shareholder of SCC and the Company, was interested in 63.01% in SCC and 73.72% in the Company. Hence, Mr. Ng was considered as a connected person of SCC and the Company.

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

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

(3) A renewal of tenancy agreement dated 15 December 2009 entered between Kingstep Limited as landlord, an indirect wholly-owned subsidiary of SCC, 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 a period from 1 January 2010 to 31 December 2011. Upon mutual agreement of both parties on early termination of the renewed tenancy agreement in January 2011, this transaction ceased as a continuing connected transaction of the Company.

(4) A renewal of tenancy agreement dated 15 December 2009 entered between Tamon Development Limited ("Tamon") as landlord, an indirect wholly-owned subsidiary of SCC, 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 a period from 1 January 2010 to 31 December 2011. Upon sale of the said property by Tamon to an independent third party in February 2011, this renewed tenancy agreement ceased as a continuing connected transaction of the Company.

On 12 December 2011, the leasing of the tenancy agreements mentioned in (1) and (2) above have been renewed by the respective same parties and the respective same terms for a period from 1 January 2012 to 31 December 2013. Please refer to the joint announcement of the Company and SCC dated 12 December 2011 for details of the renewed tenancy agreements.

As at 31 December 2011, Mr. Ng, the Chairman, the executive director and a substantial shareholder of SCC and the Company, was interested in 63.01% in SCC and 73.72% in the Company. Hence Mr. Ng was considered a connected person of SCC and the Company.

One of the principal activities of the Group is engaged in sale of airlines tickets and the provision of other travel related services and the above rental agreements allowed Four Seas to continue its business operation in the aforesaid premises.

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 and one Non-executive Director, namely Mr. Cheng Hong Kei (chairman of the audit committee), Mr. David John Blackett, Mrs. Tse Wong Siu Yin, Elizabeth and Mr. David Michael Norman.

The Audit Committee is satisfied with its review of the audit fees, the independence of the Auditors and recommended to the Board the re-appointment of the Auditors in 2012 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2011 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2011, the revenue from continuing operations of the Group's five largest customers is accounted for 6% of the total revenue from continuing operations and revenue from continuing operations of the largest customer is accounted for 3% of the total revenue from continuing operations. Purchases from continuing operations of the Group's five largest suppliers accounted for 90% of the total purchases from continuing operations and purchases from continuing operations of the largest supplier is accounted for 33% of the total purchases from continuing operations.

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 and suppliers.

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, 27 March 2012

Corporate Governance Report

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

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 Listing Rules throughout the year ended 31 December 2011 with exception to code provision E.1.2 that the Chairman of the Board did not attend the annual general meeting of the Company.

According to code provision E.1.2 of the CG Code, the Chairman of the Board shall attend the annual general meeting to answer questions at the meeting. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 31 May 2011. There were Executive Directors attending the annual general meeting in the absence of the Chairman to answer questions on the Group's businesses at the meeting. The Company will endeavour to ensure future compliance with code provision E.1.2.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2011, the Board composed of 9 directors, including the Chairman who is an Executive Director, three additional Executive Directors, two Non-executive Directors and three 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 pages 7 to 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 skills, 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 2011 for the said purpose with a majority of the Directors present.

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

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

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

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. Mr. Richard Howard Gorges and Ms. Cheung Choi Ngor had been identified as the Chief Executives of the Company who are jointly responsible for the daily operations of the Company. 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 six meetings in 2011:

	Attendance
Executive Directors	
Mr. Ng Hung Sang (*Chairman*)	3/6
Mr. Richard Howard Gorges	6/6
Ms. Cheung Choi Ngor	6/6
Mr. Ng Yuk Fung, Peter	3/6
Non-executive Directors	
Ms. Ng Yuk Mui, Jessica	2/6
Mr. David Michael Norman	4/6
Independent Non-executive Directors	
Mr. David John Blackett	5/6
Mrs. Tse Wong Siu Yin, Elizabeth	5/6
Mr. Cheng Hong Kei	6/6

Notices of at least fourteen days are given to the Directors for 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 person or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

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

All Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors throughout the year ended 31 December 2011.

INTERNAL CONTROL

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

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

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

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, the internal control of payment cycle of travel related services business and revenue cycle of trading and manufacturing business of the Group was 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 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 pages 21 to 22 of this Annual Report.

AUDITORS' REMUNERATION

For the year ended 31 December 2011, the Auditors of the Company received approximately HK$820,000 for audit services and HK$714,500 for non-audit services provided to the Company.

REMUNERATION COMMITTEE

The Remuneration Committee was set up on 21 April 2005 and comprises all the Independent Non-executive Directors, Mrs. Tse Wong Siu Yin, Elizabeth (Chairman of the Remuneration Committee), Mr. Cheng Hong Kei and Mr. David John Blackett and one Non-executive Director, Mr. David Michael Norman.

The Remuneration Committee met once in 2011 and 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 skills, knowledge, involvement in the Company's affairs and performance of the individual Executive Director with reference to the Company's performance and profitability, as well as industry practice. Granting share options is considered as one of the means for giving long-term incentive to and for retaining staff.

The directors' fees for all Directors are subject to shareholders' approval at general meeting. Reimbursement 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, Mr. Cheng Hong Kei (Chairman of the Audit Committee), Mr. David John Blackett, Mrs. Tse Wong Siu Yin, Elizabeth and one Non-executive Director, Mr. David Michael Norman. The principal duties of the Audit Committee in accordance with its terms of reference, are substantially the same as the CG Code, include the review of the Group's financial reporting system and internal control procedures, review of financial information of the Group and review of the relationship with the Auditors of the Group.

The Audit Committee Members held two meetings in 2011 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 also present in one of the meetings.

	Attendance
Mr. Cheng Hong Kei	1/2
Mr. David John Blackett	2/2
Mrs. Tse Wong Siu Yin, Elizabeth	2/2
Mr. David Michael Norman	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 2012 at the forthcoming annual general meeting.

The Group's annual results for the year ended 31 December 2011 were reviewed by the Audit Committee.

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of South China Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 23 to 98, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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 qualified audit opinion.

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

BASIS FOR QUALIFIED OPINION

As disclosed in note 12 to the financial statements, the Group disposed of the entire issued share capital of Genion Limited during the year and ceased the information technology business thereafter. In this regard, the results of Genion Limited and its subsidiaries are disclosed as a discontinued operation. As further explained in note 36 to the financial statements, up to the date of approval of these financial statements, the accounting records of a subsidiary of Genion Limited, Chongqing South China Zenith Information Technology Co., Ltd. ("South China Zenith") were seized by the local government authority in Mainland China for investigation (the "Investigation"). Consequently, we were unable to obtain sufficient appropriate audit evidence or perform alternative procedures to verify the net results of HK$19,046,000, which included the operating results of Genion Limited of a loss of HK$4,726,000 and the loss on disposal of Genion Limited of HK$14,320,000, included in "Discontinued Operations" in the Group's consolidated income statement and the related note disclosures for the year ended 31 December 2011 and we were unable to determine whether any adjustments to these amounts were necessary. Our audit report on the financial statements for the year ended 31 December 2010 dated 31 March 2011 included a disclaimer of opinion due to limitation of audit scope by reason of the Investigation.

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, 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 2011 and of the Group's loss 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
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
27 March 2012

Consolidated Income Statement

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**152,271**	129,979
Cost of sales		**(47,962)**	(26,056)
Gross profit		**104,309**	103,923
Other income	5	**10,323**	4,977
Fair value gain on investment properties		**12,800**	200
Fair value loss on financial assets at fair value through profit or loss		**(20,043)**	(23,048)
Selling and distribution costs		**(6,935)**	(5,930)
Administrative expenses		**(88,913)**	(77,176)
Equity-settled share option expense		**–**	(4,069)
Other operating expenses		**(5,368)**	(54)
		6,173	(1,177)
Finance costs	7	**(6,645)**	(5,453)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	**(472)**	(6,630)
Income tax expense	10	**(6,821)**	(4,735)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(7,293)**	(11,365)
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations	12	**(19,201)**	2,772
LOSS FOR THE YEAR		**(26,494)**	(8,593)
Attributable to:			
Owners of the Company	11	**(16,697)**	(13,532)
Non-controlling interests		**(9,797)**	4,939
		(26,494)	(8,593)

Consolidated Income Statement

Year ended 31 December 2011

	Note	**2011**	2010 (Restated)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic			
– For loss for the year		**HK(0.9) cent**	HK(0.7) cent
– For loss from continuing operations		**HK(0.3) cent**	HK(0.7) cent
Diluted			
– For loss for the year		**HK(0.9) cent**	HK(0.7) cent
– For loss from continuing operations		**HK(0.3) cent**	HK(0.7) cent

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
LOSS FOR THE YEAR	**(26,494)**	(8,593)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Changes in fair value of available-for-sale financial assets	**(3,847)**	(4,489)
Exchange differences on translation of foreign operations	**4,508**	3,698
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**661**	(791)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(25,833)**	(9,384)
Attributable to:		
Owners of the Company	**(17,914)**	(15,628)
Non-controlling interests	**(7,919)**	6,244
	(25,833)	(9,384)

Consolidated Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**8,586**	18,227
Investment properties	16	**38,000**	25,200
Prepaid land lease payments	17	**–**	17,726
Interests in associates	19	**–**	702
Biological assets	14	**–**	1,264
Available-for-sale financial assets	21	**29,319**	33,166
Other non-current assets	22	**28,368**	27,345
Goodwill	20	**2,994**	5,500
Total non-current assets		**107,267**	129,130
CURRENT ASSETS			
Inventories	23	**30,730**	48,720
Trade and other receivables	24	**269,515**	257,241
Financial assets at fair value through profit or loss	25	**23,907**	43,950
Due from affiliates	31	**–**	2,037
Advances to non-controlling shareholders of subsidiaries	30	**1,778**	1,694
Pledged bank deposits	26	**15,835**	16,885
Cash and cash equivalents	26	**57,149**	65,998
Total current assets		**398,914**	436,525
CURRENT LIABILITIES			
Trade and other payables	27	**208,191**	197,466
Interest-bearing bank and other borrowings	28	**87,552**	109,765
Advances from non-controlling shareholders of subsidiaries	30	**25**	404
Tax payable		**1,077**	2,060
Total current liabilities		**296,845**	309,695
NET CURRENT ASSETS		**102,069**	126,830
TOTAL ASSETS LESS CURRENT LIABILITIES		**209,336**	255,960

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**209,336**	255,960
NON-CURRENT LIABILITIES			
Advances from shareholders	29	**56,782**	62,860
Deferred tax liabilities	32	**4,313**	2,385
Total non-current liabilities		**61,095**	65,245
Net assets		**148,241**	190,715
EQUITY			
Equity attributable to owners of the Company			
Issued capital	33	**45,584**	45,584
Reserves	35(a)	**81,977**	104,172
		127,561	149,756
Non-controlling interests		**20,680**	40,959
Total equity		**148,241**	190,715

Ng Hung Sang
Chairman

Richard Howard Gorges
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

		Attributable to owners of the Company									
	Notes	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Available-for-sale financial asset revaluation reserve HK$'000	PRC statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010		45,584	54,416	–	23,147	861	9,233	28,074	161,315	35,635	196,950
Profit/(loss) for the year		–	–	–	–	–	–	(13,532)	(13,532)	4,939	(8,593)
Other comprehensive income/(loss) for the year:											
Changes in fair value of available-for-sale financial assets	21	–	–	–	(4,489)	–	–	–	(4,489)	–	(4,489)
Exchange differences on translation of foreign operations		–	–	–	–	–	2,393	–	2,393	1,305	3,698
Total comprehensive income/(loss) for the year		–	–	–	(4,489)	–	2,393	(13,532)	(15,628)	6,244	(9,384)
Equity-settled share option arrangements		–	–	4,069	–	–	–	–	4,069	–	4,069
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	(920)	(920)
At 31 December 2010		45,584	54,416*	4,069*	18,658*	861*	11,626*	14,542*	149,756	40,959	190,715
At 1 January 2011		45,584	54,416	4,069	18,658	861	11,626	14,542	149,756	40,959	190,715
Loss for the year		–	–	–	–	–	–	(16,697)	(16,697)	(9,797)	(26,494)
Other comprehensive income/(loss) for the year:											
Changes in fair value of available-for-sale financial assets	21	–	–	–	(3,847)	–	–	–	(3,847)	–	(3,847)
Exchange differences on translation of foreign operations		–	–	–	–	–	2,630	–	2,630	1,878	4,508
Total comprehensive income/(loss) for the year		–	–	–	(3,847)	–	2,630	(16,697)	(17,914)	(7,919)	(25,833)
Disposal of subsidiaries	36	–	–	–	–	–	(4,047)	–	(4,047)	(12,594)	(16,641)
Changes in ownership interest in a subsidiary		–	–	–	–	–	(52)	(182)	(234)	234	–
At 31 December 2011		45,584	54,416*	4,069*	14,811*	861*	10,157*	(2,337)*	127,561	20,680	148,241

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

At 31 December 2010, the retained profits and exchange fluctuation reserve of the Group included HK$54,000 and HK$130,000, respectively, retained by the associates of the Group.

* These reserve accounts comprise the consolidated reserves of HK$81,977,000 (2010: HK$104,172,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		**(472)**	(6,630)
From discontinued operations	12	**(5,213)**	3,778
		(5,685)	(2,852)
Adjustments for:			
Impairment of trade and other receivables, net	6	**5,358**	3,105
Write off of trade and other payables	5	**(2,988)**	(577)
Depreciation	6	**3,665**	3,116
Dividend income from listed investments	5	**(660)**	(735)
Finance costs	7	**7,786**	6,919
Interest income	5	**(137)**	(111)
Fair value gain on investment properties	6	**(12,800)**	(200)
Amortisation of prepaid land lease payments	6	**21**	822
Fair value loss of financial assets at fair value through profit or loss	6	**20,043**	23,048
Loss on disposal of items of property, plant and equipment, net	6	**88**	77
Equity-settled share option expense	6	**–**	4,069
Share of profits and losses of associates	12	**8**	43
		14,699	36,724
Increase in inventories		**(12,497)**	(7,945)
Increase in trade and other receivables		**(61,112)**	(79,815)
Decrease in financial assets at fair value through profit or loss		**–**	979
Decrease/(increase) in balances with affiliates, net		**2,037**	(6,515)
Increase in trade and other payables		**63,847**	27,263
Cash flows from/(used in) operations		**6,974**	(29,309)
Hong Kong profits tax paid		**(5,592)**	(3,578)
Mainland China tax paid		**(383)**	(980)
Net cash flows from/(used in) operating activities		**999**	(33,867)

Consolidated Statement of Cash Flows

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	15	**(6,109)**	(3,117)
Additions to biological assets	14	**–**	(1,264)
Additions to prepaid land lease payments	17	**(981)**	(7,954)
Cash received from disposal of subsidiaries, net	36	**12,989**	–
Interest received		**137**	111
Proceeds from disposal of items of property, plant and equipment		**18**	119
Dividends received from listed investments		**660**	735
Net cash flows from/(used in) investing activities		**6,714**	(11,370)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**15,658**	56,074
Repayment of bank loans		**(14,176)**	(24,775)
Advance from/(repayment to) shareholders		**(6,078)**	56,831
Repayment to non-controlling shareholders of subsidiaries		**(379)**	(63)
Interest paid		**(7,786)**	(6,919)
Dividends paid to non-controlling shareholders of subsidiaries		**–**	(920)
Net cash flows from/(used in) financing activities		**(12,761)**	80,228
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(5,048)**	34,991
Cash and cash equivalents at beginning of year		**74,507**	37,535
Effect of foreign exchange rate changes, net		**3,525**	1,981
CASH AND CASH EQUIVALENTS AT END OF YEAR		**72,984**	74,507
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position	26	**57,149**	65,998
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	26	**15,835**	16,885
Bank overdrafts	28	**–**	(8,376)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**72,984**	74,507

Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	**148,212**	181,712
CURRENT ASSETS			
Cash and cash equivalents	26	**109**	113
CURRENT LIABILITIES			
Other payables	27	**61**	63
NET CURRENT ASSETS		**48**	50
TOTAL ASSETS LESS CURRENT LIABILITIES		**148,260**	181,762
NON-CURRENT LIABILITIES			
Due to subsidiaries	18	**166**	83
Net assets		**148,094**	181,679
EQUITY			
Issued capital	33	**45,584**	45,584
Reserves	35(b)	**102,510**	136,095
Total equity		**148,094**	181,679

Ng Hung Sang
Chairman

Richard Howard Gorges
Director

Notes to the Financial Statements

31 December 2011

1. CORPORATE INFORMATION

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

The Company is an investment holding company. Its subsidiaries are principally engaged in sale of airline tickets and travel package, provision of hotel accommodation booking and other travel related services, implementation and marketing of software and system development and other information technology related services, forestry business and trading and manufacturing of jewellery products.

As further detailed in note 12 to the financial statements, the information technology and forestry businesses were discontinued during the year. Other than these developments, there was no significant changes in the natures of the Company's and its subsidiaries' principal activities during the year.

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, available-for-sale financial assets and financial assets at fair value through profit or loss, 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

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 2011. 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.

Total comprehensive income within a subsidiary is 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.

2.2 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 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 Prepayments of a *Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group. Details of the related party transactions, including the related comparative information, are included in note 41 to the consolidated financial statements.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations:* The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

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

The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements:* The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

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 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures –Transfers of Financial Assets*[1]
HKFRS 9	*Financial Instruments*[5]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	*Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012. Upon the adoption, the Group's deferred tax liability with respect to investment properties located in Hong Kong is expected to be reduced.

2.4 SUMMARY OF 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 investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures *(continued)*

A joint venture is treated as:

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

(b) a jointly-controlled entity, if the Group/Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

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

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

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's 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.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

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 Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

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 to 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 will be 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 will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

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 identifiable net 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.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested 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.

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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 an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where 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 depreciates them accordingly.

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

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

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.

Investment properties

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

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

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

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

Biological assets

Biological assets are forestry plantation and are measured on initial recognition and at its initial financial year end at their cost less accumulated depreciation and impairment loss.

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. 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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 and quoted and unquoted financial instruments.

2.4 SUMMARY OF 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. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net 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.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

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, in rare circumstances, 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. 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. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

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 finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments that are designated as available for sale or are not classified in any of the other two categories (financial assets at fair value through profit or loss and loans and receivables). After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial asset revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale financial asset revaluation reserve to the income statement in other expenses. 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.

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, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. 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 Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and 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 maturity amount 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

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 on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). 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 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 future write-off is later recovered, the recovery is credited to other expenses in 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.

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 investment or a group of investments is impaired.

If an available-for-sale 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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.

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 plus, in the case of loans and borrowings, directly attributable transaction costs.

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

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and other 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 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 SUMMARY OF 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.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

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

Cash and cash equivalents

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

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the 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 has established a provision for severance payments 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when 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, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized, 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:

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

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

The carrying amount of deferred tax assets is reviewed at 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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

(b) commission income are recognised upon the sale of goods;

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

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

(e) 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.

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Employee benefits

Pension schemes

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

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 given in note 34 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.

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

Borrowing costs

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends 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 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 arising on settlement or translation of monetary items 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 gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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.

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 described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. 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 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. At 31 December 2011, no impairment losses have been recognised for available-for-sale assets (2010: Nil).

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 ageing 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.

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.

4. OPERATING SEGMENT INFORMATION

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

(a) the travel related and other services segment involves in the sale of airline tickets, other travel related and other services;

(b) the trading and manufacturing of jewellery segment involves in the trading and manufacturing of jewellery products; and

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

The Group discontinued its information technology and forestry businesses during the year as detailed in note 12 to the financial statements.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of profit/(loss) before tax. The profit/(loss) before tax is measured consistently with the Group's loss before tax except that finance costs and share of profits and losses of associates are excluded from such measurement.

Segment liabilities exclude tax payable, deferred tax liabilities and interest-bearing bank and other borrowings as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2011

	Travel related and other services HK$'000	Trading and manufacturing of jewellery HK$'000	Investment holding HK$'000	Total continuing operations HK$'000	Information technology HK$'000	Forestry HK$'000	Total discontinued operations HK$'000	Total HK$'000
Segment revenue:								
Sales to external customers and revenue	94,301	57,970	–	152,271	58,493	–	58,493	210,764
Segment results	26,517	3,184	(23,528)	6,173	(3,479)	(585)	(4,064)	2,109
Reconciliation:								
Finance costs				(6,645)			(1,141)	(7,786)
Share of profits and losses of associates				–			(8)	(8)
Loss before tax				(472)			(5,213)	(5,685)
Segment assets and total assets	324,338	36,988	144,855	506,181	–	–	–	506,181
Segment liabilities	198,636	6,323	60,039	264,998	–	–	–	264,998
Reconciliation:								
Corporate and other unallocated liabilities				92,942			–	92,942
Total liabilities				357,940			–	357,940
Other segment information:								
Impairment of trade and other receivables, net	–	–	5,358	5,358	–	–	–	5,358
Depreciation and amorisation	2,075	176	–	2,251	1,364	71	1,435	3,686
Capital expenditure*	5,813	29	–	5,842	267	981	1,248	7,090

* Capital expenditure consists of additions to property, plant and equipment and prepaid land lease payments.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2010

	Travel related and other services HK$'000 (Restated)	Trading and manufacturing of jewellery HK$'000	Investment holding HK$'000	Total continuing operations HK$'000	Information technology HK$'000 (Restated)	Forestry HK$'000	Total discontinued operations HK$'000	Total HK$'000
Segment revenue:								
Sales to external customers and revenue	97,722	32,257	–	129,979	151,666	–	151,666	281,645
Segment results	31,729	1,412	(34,318)	(1,177)	9,646	(4,359)	5,287	4,110
Reconciliation:								
Finance costs				(5,453)			(1,466)	(6,919)
Share of profits and losses of associates				–			(43)	(43)
Profit/(loss) before tax				(6,630)			3,778	(2,852)
Segment assets and total assets	247,946	28,722	143,467	420,135	114,997	30,523	145,520	565,655
Segment liabilities	138,187	2,988	68,546	209,721	49,959	1,050	51,009	260,730
Reconciliation:								
Corporate and other unallocated liabilities				84,716			29,494	114,210
Total liabilities				294,437			80,503	374,940
Other segment information:								
Impairment of trade and other receivables, net	46	–	–	46	3,059	–	3,059	3,105
Depreciation and amorisation	1,421	174	–	1,595	880	1,463	2,343	3,938
Capital expenditure*	2,066	176	–	2,242	834	9,259	10,093	12,335

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments and biological assets.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical segments

(a) ***Revenue from external customers***

	2011			2010		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000 (Restated)	Discontinued operations HK$'000 (Restated)	Total HK$'000
Hong Kong	**76,202**	**–**	**76,202**	81,684	–	81,684
Mainland China	**76,069**	**58,493**	**134,562**	48,295	151,666	199,961
	152,271	**58,493**	**210,764**	129,979	151,666	281,645

The revenue information above is based on the location of the customers.

(b) ***Non-current assets***

	2011			2010		
	Continuing operations HK$'000	**Discontinued operations HK$'000**	**Total HK$'000**	Continuing operations HK$'000 (Restated)	Discontinued operations HK$'000 (Restated)	Total HK$'000
Hong Kong	**46,074**	**–**	**46,074**	29,982	2,506	32,488
Mainland China	**31,874**	**–**	**31,874**	30,454	32,320	62,774
	77,948	**–**	**77,948**	60,436	34,826	95,262

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

5. REVENUE AND OTHER INCOME FROM CONTINUING OPERATIONS

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 commission income during the year.

An analysis of revenue and other income from continuing operations is as follows:

	Note	2011 HK$'000	2010 HK$'000 (Restated)
Revenue			
Commission and service income from travel related and other services business	(i)	**94,301**	97,722
Trading and manufacturing of jewellery		**53,840**	28,756
Commission income from sale of jewellery		**4,130**	3,501
		152,271	129,979
Other income			
Dividend income from listed investments		**660**	735
Handling charge		**1,346**	1,034
Advertising income		**507**	448
Bank interest income		**137**	111
Bad debts recovery		**58**	845
Exchange gain		**3,910**	1,050
Write off of trade and other payables		**2,988**	577
Others		**717**	177
		10,323	4,977

Note:

(i) The HKICPA issued some improvements to the HKFRSs in May 2009. Of this, an amendment to HKAS 18 was made for recognition of revenue. Under the new definition, the Group's travel related services operation in relation to the sales of airline tickets is treated as cash collected on behalf of the principal as an agent, and thus its revenue shall be recorded on net basis. The gross proceeds received and receivable from the sale of airline tickets and the provision of other travel related services are as follows:

	2011 HK$'000	2010 HK$000
Gross proceeds received and receivable	**2,999,382**	2,624,947

6. LOSS BEFORE TAX

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

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Cost of inventories sold			
Continuing operations		**43,471**	24,571
Discontinued operations		**40,111**	110,528
Depreciation	15		
Continuing operations		**2,251**	1,595
Discontinued operations		**1,414**	1,521
Amortisation of prepaid land lease payments	17	**21**	822
Auditors' remuneration		**820**	680
Employee benefit expense (including directors' remuneration (note 8)):			
Continuing operations			
Wages and salaries and other benefits		**52,216**	51,150
Equity-settled share option expense		**–**	4,069
Pension scheme contributions **		**4,231**	3,386
Total employee benefit expense from continuing operations		**56,447**	58,605
Discontinued operations			
Wages and salaries and other benefits		**14,461**	22,568
Pension scheme contributions **		**1,496**	1,939
Total employee benefit expense from discontinued operations		**15,957**	24,507
Minimum lease payments under operating leases in respect of land and buildings			
Continuing operations		**11,107**	10,209
Discontinued operations		**282**	1,101
Fair value loss on financial assets at fair value through profit or loss		**20,043**	23,048
Impairment of trade and other receivables, net *			
Continuing operations		**5,358**	46
Discontinued operations		**–**	3,059
Fair value gain on investment properties	16	**(12,800)**	(200)
Loss on disposal of items of property, plant and equipment, net *			
Continuing operations		**10**	8
Discontinued operations		**78**	69
Foreign exchange differences, net			
Continuing operations		**(3,670)**	(663)
Discontinued operations		**7**	194

* These balances from continuing operations are included in "other operating expenses" in the consolidated income statement.

** At 31 December 2011, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2010: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Interest on bank loans, overdrafts and other loans wholly repayable within five years		
Continuing operations	**3,788**	2,840
Discontinued operations	**985**	1,466
Interest on advances from a related company		
Continuing operations	**–**	188
Interest on advances from a non-controlling shareholder of a former subsidiary		
Discontinued operations	**156**	–
Interest on advances from directors		
Continuing operations	**2,857**	2,425
	7,786	6,919
Attributable to:		
Continuing operations	**6,645**	5,453
Discontinued operations (note 12)	**1,141**	1,466
	7,786	6,919

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	
	2011	2010
	HK$'000	HK$'000
Fees	**460**	460
Other emoluments:		
Salaries, allowances and benefits in kind	**1,920**	1,242
Equity-settled share option expense	**–**	3,684
Pension scheme contributions	**95**	62
	2,015	4,988
	2,475	5,448

8. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

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

	2011 HK$'000	2010 HK$'000
Mr. David John Blackett	100	100
Ms. Tse Wong Siu Yin, Elizabeth	75	75
Mr. Cheng Hong Kei	75	75
	250	250

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

(b) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000
2011				
Executive directors:				
Mr. Ng Hung Sang	10	1,920	–	95
Ms. Cheung Choi Ngor	10	–	–	–
Mr. Richard Howard Gorges	10	–	–	–
Mr. Ng Yuk Fung, Peter	10	–	–	–
	40	1,920	–	95
Non-executive directors:				
Ms. Ng Yuk Mui, Jessica	50	–	–	–
Mr. David Michael Norman	120	–	–	–
	170	–	–	–
	210	1,920	–	95

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and non-executive directors *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000
2010				
Executive directors:				
Mr. Ng Hung Sang	10	1,242	–	62
Ms. Cheung Choi Ngor	10	–	921	–
Mr. Richard Howard Gorges	10	–	921	–
Mr. Ng Yuk Fung, Peter	10	–	921	–
	40	1,242	2,763	62
Non-executive directors:				
Ms. Ng Yuk Mui, Jessica	50	–	921	–
Mr. David Michael Norman	120	–	–	–
	170	–	921	–
	210	1,242	3,684	62

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 one (2010: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2010: four) non-directors' highest paid employees for the year are as follows:

	Group	
	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	**3,237**	2,746
Discretionary bonuses	**1,388**	1,645
Pension scheme contributions	**48**	48
	4,673	4,439

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

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

	Number of employees	
	2011	2010
HK$500,001 to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	4	4

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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 countries/jurisdictions in which the Group operates.

	Group	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Current – Hong Kong		
Charge for the year	**4,377**	4,833
Over-provision in priors years	**(79)**	–
Current – Mainland China		
Charge for the year	**595**	205
Over-provision in prior years	**–**	(189)
Deferred tax (note 32)	**1,928**	(114)
Total tax charge from continuing operations for the year	**6,821**	4,735
Current – Mainland China		
Charge for the year and total tax charge from discontinued operations for the year (note 12)	**98**	1,006

10. INCOME TAX *(continued)*

A reconciliation of the tax expense on the Group's loss before tax from continuing operations at the Hong Kong profits tax rate to the tax positions at the effective tax rate is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Loss before tax from continuing operations	**(472)**	(6,630)
Tax at the Hong Kong profits tax rate of 16.5% (2010: 16.5%)	**(78)**	(1,094)
Effect of different tax rates of subsidiaries operating in Mainland China	**203**	70
Expenses not deductible for tax	**6,710**	5,578
Income not subject to tax	**(1,164)**	(2,146)
Tax losses utilised from previous periods	**(23)**	(19)
Tax losses not recognised	**1,252**	2,535
Over-provision in prior years	**(79)**	(189)
Total tax charge from continuing operations for the year	**6,821**	4,735

A reconciliation of the tax expense/(credit) on the Group's profit/(loss) before tax from discontinued operations at the Hong Kong profits tax rate to the tax positions at the effective tax rate is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Profit/(loss) before tax from discontinued operations (note 12)	**(5,213)**	3,778
Tax at the Hong Kong profits tax rate of 16.5% (2010: 16.5%)	**(860)**	623
Effect of different tax rates of subsidiaries operating in Mainland China	**33**	342
Expenses not deductible for tax	**925**	719
Income not subject to tax	**–**	(678)
Total tax charge from discontinued operations for the year (note 12)	**98**	1,006

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 December 2011 includes a loss of HK$33,585,000 (2010: a loss of HK$4,155,000) which has been dealt with in the financial statements of the Company (note 35(b)).

12. DISCONTINUED OPERATIONS

As further detailed in note 36 to the financial statements, on 29 July 2011, the Company entered into an agreement with an independent third party to dispose of the entire issued share capital of Genion Limited, which owns 60% equity interests in Chongqing South China Zenith Information Technology Co., Ltd., which in turn owns 100% equity interests in 重慶中天國際信息技術有限公司, 50% equity interests in 重慶金通泰信息技術有限公司 and 18% equity interests in Chongqing Fortuna Information Technology Co., Ltd., respectively. Genion Limited and its subsidiaries (collectively "Genion"), which were engaged in information technology business and constituted the information technology business segment with operations in Mainland China. Upon completion of the disposal of Genion on 25 August 2011, the Group ceased the information technology business thereafter.

On 11 January 2011, the Company entered into an agreements to dispose of the entire equity interests of Thousand China Investments Limited and its subsidiaries (collectively "TCL"), which were engaged in forestry business, to South China (China) Limited, of which certain directors were also the directors of the Company. Upon completion of the disposal of TCL on 31 January 2011, the Group ceased the forestry business thereafter.

The results of Genion and TCL for the period up to the dates of disposal are presented below:

	2011		
	Genion HK$'000	**TCL HK$'000**	**Total HK$'000**
Revenue	**58,493**	**–**	**58,493**
Other income	**994**	**–**	**994**
Expenses	**(62,966)**	**(585)**	**(63,551)**
Finance costs (note 7)	**(1,141)**	**–**	**(1,141)**
Share of profits and losses of associates	**(8)**	**–**	**(8)**
Loss before tax from the discontinued operations (note 10)	**(4,628)**	**(585)**	**(5,213)**
Income tax (note 10)	**(98)**	**–**	**(98)**
	(4,726)	**(585)**	**(5,311)**
Gain/(loss) on disposal of subsidiaries (note 36)	**(14,320)**	**430**	**(13,890)**
Loss for the year from the discontinued operations	**(19,046)**	**(155)**	**(19,201)**

	2010		
	Genion HK$'000	TCL HK$'000	Total HK$'000
Revenue	151,666	–	151,666
Other income	2,793	818	3,611
Expenses	(144,813)	(5,177)	(149,990)
Finance costs (note 7)	(1,466)	–	(1,466)
Share of profits and losses of associates	(43)	–	(43)
Profit/(loss) before tax from the discontinued operations (note 10)	8,137	(4,359)	3,778
Income tax (note 10)	(1,006)	–	(1,006)
Profit/(loss) for the year from the discontinued operations	7,131	(4,359)	2,772

12. DISCONTINUED OPERATIONS *(CONTINUED)*

The net cash flows generated from/(used in) Genion and TCL are as follows:

	2011		
	Genion	**TCL**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Operating activities	**(7,598)**	**(1,408)**	**(9,006)**
Investing activities	**(268)**	**(981)**	**(1,249)**
Financing activities	**(2,910)**	**–**	**(2,910)**
Net cash outflow	**(10,776)**	**(2,389)**	**(13,165)**

	2010		
	Genion	TCL	Total
	HK$'000	HK$'000	HK$'000
Operating activities	(13,736)	(10,828)	(24,564)
Investing activities	(834)	(9,143)	(9,977)
Financing activities	15,537	24,889	40,426
Net cash inflow	967	4,918	5,885

	2011	2010
Loss per share:		
Basic, from the discontinued operations	**HK0.64 cent**	HK0.08 cent
Diluted, from the discontinued operations	**HK0.64 cent**	HK0.08 cent

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

	2011	2010
Loss attributable to owners of the Company from the discontinued operations (note 13)	**HK$11,619,000**	HK$1,479,000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation (note 13)	**1,823,401,000**	1,823,401,000

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share for the year is based on the loss for the year attributable to owners of the Company of HK$16,697,000 (2010: loss of HK$13,532,000) and the weighted average number of ordinary shares of 1,823,401,000 (2010: 1,823,401,000) in issue during the year.

The calculation of the diluted loss per share for the year is based on the loss 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 loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2011	2010
	HK$'000	HK$'000
		(Restated)
Loss		
Loss attributable to owners of the Company, used in the basic loss per share calculation	**(16,697)**	(13,532)
Loss attributable to owners of the Company, used in the diluted loss per share calculation:		
From continuing operations	**(5,078)**	(12,053)
From discontinued operations (note 12)	**(11,619)**	(1,479)
	(16,697)	(13,532)

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**1,823,401,000**	1,823,401,000

The Company's share options have no dilutive effect for the two years ended 31 December 2011 and 2010 because the exercise price of the Company's share options was higher than the average market price per share for the two years ended 31 December 2011 and 2010.

14. BIOLOGICAL ASSETS

	Group	
	2011	2010
	HK$'000	HK$'000
Forestry plantation:		
Carrying amount at 1 January	**1,264**	–
Additions	**–**	1,264
Disposal of subsidiaries (note 36)	**(1,264)**	–
Carrying amount at 31 December	**–**	1,264
Cost of forestry plantation	**–**	1,264

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	**Furniture and leasehold improvements HK$'000**	**Machinery and equipment HK$'000**	**Motor vehicles and vessels HK$'000**	**Total HK$'000**
31 December 2011					
At 31 December 2010 and at 1 January 2011:					
Cost	**13,233**	**18,304**	**16,385**	**6,750**	**54,672**
Accumulated depreciation and impairment	**(3,205)**	**(15,447)**	**(12,489)**	**(5,304)**	**(36,445)**
Net carrying amount	**10,028**	**2,857**	**3,896**	**1,446**	**18,227**
At 1 January 2011, net of accumulated depreciation and impairment	**10,028**	**2,857**	**3,896**	**1,446**	**18,227**
Additions	**–**	**1,706**	**2,245**	**2,158**	**6,109**
Disposals	**–**	**–**	**(90)**	**(14)**	**(104)**
Disposal of subsidiaries (note 36)	**(10,216)**	**(1,040)**	**(393)**	**(1,012)**	**(12,661)**
Depreciation provided during the year	**(300)**	**(833)**	**(2,172)**	**(360)**	**(3,665)**
Exchange realignment	**488**	**174**	**12**	**6**	**680**
At 31 December 2011, net of accumulated depreciation and impairment	**–**	**2,864**	**3,498**	**2,224**	**8,586**
At 31 December 2011:					
Cost	**–**	**7,067**	**8,534**	**6,296**	**21,897**
Accumulated depreciation and impairment	**–**	**(4,203)**	**(5,036)**	**(4,072)**	**(13,311)**
Net carrying amount	**–**	**2,864**	**3,498**	**2,224**	**8,586**

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

Group

	Leasehold land and buildings HK$'000	Furniture and leasehold improvements HK$'000	Machinery and equipment HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
31 December 2010					
At 1 January 2010:					
Cost	12,767	17,097	14,881	6,973	51,718
Accumulated depreciation and impairment	(2,760)	(14,592)	(11,306)	(5,168)	(33,826)
Net carrying amount	10,007	2,505	3,575	1,805	17,892
At 1 January 2010, net of accumulated depreciation and impairment	10,007	2,505	3,575	1,805	17,892
Additions	–	1,073	1,847	197	3,117
Disposals	–	(1)	(64)	(129)	(194)
Depreciation provided during the year	(336)	(783)	(1,506)	(491)	(3,116)
Exchange realignment	357	63	44	64	528
At 31 December 2010, net of accumulated depreciation and impairment	10,028	2,857	3,896	1,446	18,227
At 31 December 2010:					
Cost	13,233	18,304	16,385	6,750	54,672
Accumulated depreciation and impairment	(3,205)	(15,447)	(12,489)	(5,304)	(36,445)
Net carrying amount	10,028	2,857	3,896	1,446	18,227

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

	Group	
	2011 HK$'000	2010 HK$'000
Mainland China:		
Medium term land use rights	–	10,028

At 31 December 2010, certain of the Group's leasehold land and buildings with a net book value of approximately HK$10,028,000, were pledged to secure banking facilities granted to the Group (note 28).

16. INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**25,200**	25,000
Net profit from a fair value adjustment	**12,800**	200
Carrying amount at 31 December	**38,000**	25,200

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

	Group	
	2011	2010
	HK$'000	HK$'000
Hong Kong:		
Medium term leases	**38,000**	25,200

The Group's investment properties were revalued on 31 December 2011 by BMI Appraisals Limited, independent professionally qualified valuers, at HK$38,000,000 (2010: HK$25,200,000) on an open market, existing use basis.

Further particulars of the Group's investment properties are included on page 100.

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**17,939**	10,471
Additions	**981**	7,954
Disposal of subsidiaries (note 36)	**(18,899)**	–
Amortised during the year	**(21)**	(822)
Exchange realignment	–	336
Carrying amount at 31 December	–	17,939
Current portion included in other receivables	–	(213)
Non-current portion	–	17,726

At 31 December 2010, the leasehold land is held under medium term leases and is situated in Mainland China.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**181,712**	181,712
Less: Impairment #	**(33,500)**	–
	148,212	181,712

Impairments were recognised for interests in subsidiaries with a carrying amount of HK$181,712,000 which was recognised for the year ended 31 December 2011, because certain subsidiaries of the Group have been making loss persistently.

The amounts due to 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 12 months from the end of the reporting period and are therefore shown in the statement of financial position as non-current.

Details of the Company's principal subsidiaries are set out in note 47 to the financial statements.

19. INTERESTS IN ASSOCIATES

	Group	
	2011	2010
	HK$'000	HK$'000
Share of net assets:		
Unlisted associates	**–**	702

Further to note 36 to the financial statements, interests in associates were derecognised through the disposal of Genion during the year.

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

	2011	2010
	HK$'000	HK$'000
Assets	**–**	2,639
Liabilities	**–**	58
Revenue	**–**	3,293
Loss	**–**	(86)

20. GOODWILL

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January:		
Cost	**6,125**	6,193
Accumulated impairment	**(625)**	(625)
Net carrying amount	**5,500**	5,568
At 1 January, net of accumulated impairment	**5,500**	5,568
Disposal of subsidiaries (note 36)	**(2,506)**	–
Exchange realignment	–	(68)
At 31 December, net of accumulated impairment	**2,994**	5,500
At 31 December:		
Cost	**2,994**	6,125
Accumulated impairment	–	(625)
Net carrying amount	**2,994**	5,500

Further to note 36 to the financial statements, the Group disposed of Genion, and the respective goodwill of HK$2,506,000 (net of provision for impairment of HK$625,000), was derecognised as at the completion date of the disposal.

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to the following cash-generating units for impairment testing:

- Travel related services business cash-generating unit; and
- Information technology business cash-generating unit.

Travel related services business cash-generating unit

The recoverable amount of the travel related services business cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 9% (2010: 9%). The growth rate used to extrapolate the cash flows of the travel related services business unit beyond the five-year period is 3% (2010: 3%) which is the same as the long term average growth rate of the travel related services business industry.

Information technology business cash-generating unit

The recoverable amount of the information technology business cash-generating unit is determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11% for the year ended 31 December 2010. The growth rate used to extrapolate the cash flows of the information technology business unit beyond the five-year period is 5% for the year ended 31 December 2010 which is the same as the long term average growth rate of the information technology business industry.

20. GOODWILL *(continued)*

Impairment testing of goodwill *(continued)*

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

	2011 **HK$'000**	2010 HK$'000
Cash-generating units:		
Travel related services business	**2,994**	2,994
Information technology business	**–**	2,506
	2,994	5,500

Key assumptions were used in the value in use calculation of the travel related services business cash-generating units for both years and information technology business cash-generating units for the year ended 31 December 2010. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2011 **HK$'000**	2010 HK$'000
Club debentures and membership	**461**	461
Listed equity investments, at market value	**28,858**	32,705
	29,319	33,166

During the year, the fair value loss in respect of the Group's listed equity investments recognised in other comprehensive income amounting to HK$3,847,000 (2010: a loss of HK$4,489,000) and no amount was reclassified from other comprehensive income to the income statement and no impairment was recognised in the income statement (2010: Nil).

The investments in club debentures and memberships which has no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices. The fair values of club debentures and membership have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected proceeds on subsequent disposal. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

22. OTHER NON-CURRENT ASSETS

	Group	
	2011	2010
	HK$'000	HK$'000
Land development costs	**21,746**	20,723
Deposit for acquisition of properties	**6,622**	6,622
	28,368	27,345

23. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**2,497**	2,123
Work in progress	–	25,459
Finished goods	**28,367**	21,266
	30,864	48,848
Provision against obsolete inventories	**(134)**	(128)
	30,730	48,720

At 31 December 2011, the Group's inventories with a value of HK$28,216,000 (2010: HK$20,920,000) were pledged to secure banking facilities granted to the Group (note 28).

At 31 December 2010, included in work in progress is construction contracts amounted to HK$25,365,000.

	Group	
	2011	2010
	HK$'000	HK$'000
Gross amount due from contract customers	–	25,365
Contract costs incurred plus recognised profits less recognised losses to date	–	146,417
Less: Progress billings	–	(121,052)
	–	25,365

24. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables of the Group are trade receivables of HK$222,471,000 (2010: HK$187,795,000) as follow:

	Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**225,034**	192,405
Impairment	**(2,563)**	(4,610)
	222,471	187,795

The Group's trading terms with its customers are on credit with credit periods ranging from one to three months (2010: one to three months), depends on a number of factors including trade practices, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

None of the other receivables is either past due or impaired. The financial assets included in these balances relate to receivables for which there was no recent history of default.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**212,544**	170,694
91 to 180 days	**9,398**	12,329
181 to 365 days	**461**	2,884
Over 365 days	**68**	1,888
	222,471	187,795

The movements in impairment of trade receivables are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**4,610**	4,540
Impairment losses recognised	**–**	46
Amount written off as uncollectible	**–**	(141)
Disposal of subsidiaries	**(2,275)**	–
Exchange realignment	**228**	165
At 31 December	**2,563**	4,610

24. TRADE AND OTHER RECEIVABLES *(continued)*

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$2,563,000 (2010: HK$4,610,000) with a carrying amount before provision of HK$2,563,000 (2010: HK$4,610,000). The individually impaired trade receivables relate to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

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

	Group	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**219,906**	175,272
91 to 180 days	**2,497**	7,915
181 to 365 days	**68**	4,608
	222,471	187,795

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

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

At 31 December 2011, the Group's trade receivables with a value of HK$8,457,000 (2010: HK$12,686,000) were pledged to secured its banking facilities (note 28).

Included in other receivables is an amount due from a former subsidiary of the Group of HK$13,110,000 (2010: Nil), which bears interest at 8% per annum and is repayable in September 2012. The terms are mutually agreed by both parties.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**23,907**	43,950

The above financial assets at 31 December 2011 were classified as held for trading. The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$21,314,000 (2010: HK$42,749,000).

26. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

		Group		Company	
		2011	2010	**2011**	2010
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Cash and bank balances		**57,149**	65,998	**109**	113
Time deposits		**15,835**	16,885	**–**	–
		72,984	82,883	**109**	113
Less: Pledged for banking facilities	28	**(15,835)**	(16,885)	**–**	–
Cash and cash equivalents		**57,149**	65,998	**109**	113

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$28,122,000 (2010: HK$57,623,000). RMB is not freely convertible into other currencies. However, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

27. TRADE AND OTHER PAYABLES

Included in trade and other payables of the Group are trade payables of HK$154,647,000 (2010: HK$138,539,000) and their aged analysis as at the end of reporting period, based on the invoice date is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**153,610**	135,926
91 to 180 days	**289**	773
181 to 365 days	**138**	295
Over 365 days	**610**	1,545
	154,647	138,539

The trade payables are non-interest-bearing and are normally settled on 15 to 90 days' terms (2010: 15 to 90 days).

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

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	2011			2010		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Bank overdrafts – unsecured	**N/A**	**N/A**	**–**	5.3	On demand	8,376
Bank loans – unsecured	**3.8**	**2012**	**60,000**	3.8 – 8.8	2011	58,613
Bank loans – secured	**2.1 – 8.2**	**2012**	**23,237**	5.8 – 6.3	2011	40,000
Other borrowings	**6 – 7**	**On demand**	**4,315**	6	On demand	2,776
			87,552			109,765

	Group	
	2011	2010
	HK$'000	HK$'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**83,237**	106,989
Other borrowings repayable on demand	**4,315**	2,776
	87,552	109,765

Notes:

(a) At the end of the reporting period, the Group's bank and other borrowings of approximately HK$23,237,000 (2010: HK$40,000,000) are secured by:

(i) the pledge of certain of the Group's time deposits amounting to HK$15,835,000 (2010: HK$16,885,000) (note 26);

(ii) the pledge of the Group's certain leasehold land and buildings which had an aggregate carrying value at 31 December 2010 of approximately HK$10,028,000 (note 15);

(iii) the pledge of the Group's inventories which had an aggregate carrying value at the end of the reporting period of approximately HK$28,216,000 (2010: HK$20,920,000) (note 23); and

(iv) the pledge of the Group's trade receivables which had an aggregate carrying value at the end of the reporting period of approximately HK$8,457,000 (2010: HK$12,686,000) (note 24).

(b) Except for bank loans with an aggregate amount of HK$16,049,000 (2010: HK$43,612,000) and other borrowings of HK$4,315,000 (2010: HK$2,776,000) which are denominated in Renminbi, all other borrowings are in Hong Kong dollars.

The carrying amounts of the Group's bank and other borrowings approximate to their fair values. The fair values of the bank and other borrowings are the present values of future cash flows, discounted at prevailing interest rates at 31 December 2011.

29. ADVANCES FROM SHAREHOLDERS

Except for the amounts of HK$55,181,000 (2010: HK$61,259,000) which are interest-bearing at the Hong Kong dollar prime rate per annum and will not be repayable within 12 months from the end of the reporting period, the remaining advances from shareholders are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within 12 months from the end of the reporting period and are therefore shown in the statement of financial position as non-current.

30. ADVANCES FROM/TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The advances from/to non-controlling shareholders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

31. DUE FROM AFFILIATES

	Group	
	2011	2010
	HK$'000	HK$'000
Due from related companies #	**–**	2,037

A substantial beneficial shareholder of the related companies is also a substantial shareholder of the Company.

At 31 December 2010, the amounts due from related companies arose from the trade receivables for the provision of information technology related services of the Group. The terms are mutually agreed by both parties.

32. DEFERRED TAX

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

Group

Deferred tax liabilities

	2011		
	Losses available for offsetting against future taxable profits HK$'000	**Revaluation of properties HK$'000**	**Total HK$'000**
At 1 January 2011	**(12)**	**2,397**	**2,385**
Deferred tax charged to the income statement during the year (note 10)	**–**	**1,928**	**1,928**
At 31 December 2011	**(12)**	**4,325**	**4,313**

32. DEFERRED TAX *(continued)*

Group

Deferred tax liabilities

	2010		
	Losses available for offsetting against future taxable profits HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2010	(9)	2,508	2,499
Deferred tax credited to the income statement during the year (note 10)	(3)	(111)	(114)
At 31 December 2010	(12)	2,397	2,385

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

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Tax losses	**193,883**	210,255	**5,079**	5,079

The tax losses arising in Hong Kong of HK$179,911,000 (2010: HK$172,290,000) 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$13,972,000 (2010: HK$37,965,000) that will expire in one to five years for offsetting against future taxable profit. A deferred tax asset has 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 from 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 jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

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

33. SHARE CAPITAL

Shares

	2011 HK$'000	2010 HK$'000
Authorised:		
4,000,000,000 (2010: 4,000,000,000) ordinary shares of HK$0.025 (2010: HK$0.025) each	**100,000**	100,000
Issued and fully paid:		
1,823,401,376 (2010: 1,823,401,376) ordinary shares of HK$0.025 (2010: HK$0.025) each	**45,584**	45,584

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the financial statements.

34. SHARE OPTION SCHEME

The directors and employees of the Group are entitled to participate in 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:

(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;

34. SHARE OPTION SCHEME *(continued)*

(b) Participants of the Share Option Scheme *(continued)*

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

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

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

(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 182,340,137.

As at 31 December 2011, the total number of shares available for issue pursuant to the grant of further share options under the Share Option Scheme is 90,140,137, representing approximately 4.94% 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 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.

34. SHARE OPTION SCHEME *(continued)*

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

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

(h) Basis of determining the exercise price options

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 28 June 2002.

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

	2011		2010	
	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	**2**	**92,200**	2	100,800
Lapsed during the year	**–**	**–**	2	(8,600)
At 31 December	**2**	**92,200**	2	92,200

34. SHARE OPTION SCHEME *(continued)*

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

Name or category of participants	Number of share options: Outstanding as at 1 January 2011	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 2011	Date of grant of share options (DD/MM/YYYY) (Note 2)	Exercise period of share options (DD/MM/YYYY)	Exercise price per share HK$ (Note 3)
Directors										
Cheung Choi Ngor	6,000,000	–	–	–	–	–	6,000,000	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,000,000	–	–	–	–	–	6,000,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,000,000	–	–	–	–	–	6,000,000	18/09/2007	18/09/2010 – 17/09/2017	2.00
Richard Howard Gorges	6,000,000	–	–	–	–	–	6,000,000	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,000,000	–	–	–	–	–	6,000,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,000,000	–	–	–	–	–	6,000,000	18/09/2007	18/09/2010 – 17/09/2017	2.00
Ng Yuk Mui, Jessica	6,000,000	–	–	–	–	–	6,000,000	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,000,000	–	–	–	–	–	6,000,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,000,000	–	–	–	–	–	6,000,000	18/09/2007	18/09/2010 – 17/09/2017	2.00
Ng Yuk Fung, Peter	6,000,000	–	–	–	–	–	6,000,000	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,000,000	–	–	–	–	–	6,000,000	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,000,000	–	–	–	–	–	6,000,000	18/09/2007	18/09/2010 – 17/09/2017	2.00
Sub-total:	72,000,000	–	–	–	–	–	72,000,000			
Employees										
In aggregate	200,000	–	–	–	–	(200,000)	–	18/09/2007	18/09/2008 – 17/09/2017	2.00
	200,000	–	–	–	–	(200,000)	–	18/09/2007	18/09/2009 – 17/09/2017	2.00
	200,000	–	–	–	–	(200,000)	–	18/09/2007	18/09/2010 – 17/09/2017	2.00
Sub-total:	600,000	–	–	–	–	(600,000)	–			
Others										
In aggregate	6,533,333	–	–	–	–	200,000	6,733,333	18/09/2007	18/09/2008 – 17/09/2017	2.00
	6,533,333	–	–	–	–	200,000	6,733,333	18/09/2007	18/09/2009 – 17/09/2017	2.00
	6,533,334	–	–	–	–	200,000	6,733,334	18/09/2007	18/09/2010 – 17/09/2017	2.00
Sub-total:	19,600,000	–	–	–	–	600,000	20,200,000			
Total	92,200,000	–	–	–	–	–	92,200,000			

34. SHARE OPTION SCHEME *(continued)*

Notes:

(1) Due to internal re-organization, an employee holding options under the Share Option Scheme had been re-classified. Consequently, 600,000 share options were re-classified from "Employees" to "Others".

(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 month – 24th month	not more than 33 $^1/_3$
25th month – 36th month	not more than 66 $^2/_3$
37th month – 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 2011. The Company recognised a share option expense of nil (2010: HK$4,069,000) during the year ended 31 December 2011.

At the end of the reporting period the Company had 92,200,000 share options outstanding under the scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 92,200,000 additional ordinary shares of the Company with additional share capital of HK$2,305,000 and share premium of HK$182,095,000 (before issue expenses).

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

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

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

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

No share option was exercised during the year.

35. 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 page 28 of the financial statements.

(b) Company

	Share premium account	Share option reserve	Retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	54,416	–	81,765	136,181
Equity-settled share option arrangements	–	4,069	–	4,069
Total comprehensive loss for the year	–	–	(4,155)	(4,155)
At 31 December 2010 and 1 January 2011	54,416	4,069	77,610	136,095
Total comprehensive loss for the year	–	–	(33,585)	(33,585)
At 31 December 2011	54,416	4,069	44,025	102,510

The Company's reserves available for distribution represent the share premium account, share option reserve and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2011 amounted to approximately HK$102,510,000 (2010: HK$136,095,000).

36. DISPOSAL OF INTERESTS IN SUBSIDIARIES

Based on the Company's announcement dated 28 March 2011 and 29 March 2011, certain senior executives of Chongqing South China Zenith Information Technology Co., Ltd. ("South China Zenith"), a 60% owned subsidiary of the Group, were summoned by the local government authority in Mainland China to assist an investigation (the "Investigation"). The accounting records, including relating supporting documents, were seized by the local government authority up to the date of approval of these financial statements.

On 29 July 2011, the Company entered into an agreement with an independent third party (the "Purchaser") to dispose of the entire issued share capital of Genion Limited, which owns 60% equity interests in South China Zenith, which in turn owns 100% equity interests in 重慶中天國際信息技術有限公司, 50% equity interests in 重慶金通泰信息技術有限公司 and 18% equity interests in Chongqing Fortuna Information Technology Co., Ltd. (collectively "Genion"), respectively to the Purchaser, at a cash consideration of HK$11 million with an indemnity (subject to a maximum cap of HK$11 million) in favour of the Purchaser for any loss which South China Zenith may incur resulting from any contingent liabilities of South China Zenith becoming liable to pay to the local government authority as a direct consequence of the result of the Investigation. The Group received HK$2 million upon completion of the disposal on 25 August 2011.

On 12 September 2011, the Group received a demand note from the Purchaser requesting the Group to indemnify the Purchaser in the maximum amount of HK$11 million, as South China Zenith had been requested to pay a sum exceeding HK$11 million to the relevant local government authority in respect of the aforesaid contingent liabilities in the current year.

The Group repaid the HK$2 million to the Purchaser and offset the outstanding consideration with the indemnity of HK$11 million. As a consequence, the consideration for the disposal of Genion, after adjusting the indemnity, was reduced to nil. After taking into consideration of legal advice, the directors believe that the Group is not liable to any liability arising from the Investigation following the disposal of Genion and the settlement of the indemnity.

Genion was engaged in information technology business and constituted the information technology business segment with operations in Mainland China. Upon completion of the disposal of Genion, the Group ceased the information technology business segment thereafter, as detailed in note 12 to the financial statements.

Further details are set out in the Company's circular and announcement dated 22 August 2011 and 12 September 2011, respectively.

On 11 January 2011, the Company entered into an agreements to dispose of the entire equity interests of Thousand China Investments Limited and its subsidiaries (collectively "TCL"), which were engaged in forestry business, to South China (China) Limited, of which certain directors were also the directors of the Company. Upon completion of the disposal of TCL on 31 January 2011, the Group ceased the forestry business thereafter as detailed in note 12 to the financial statements.

36. DISPOSAL OF INTERESTS IN SUBSIDIARIES *(continued)*

Further to note 12 to the financial statements, the Group disposed of Genion and TCL during the year.

	2011		
	Genion HK$'000	TCL HK$'000	Total HK$'000
Net assets disposed of:			
Property, plant and equipment (note 15)	11,249	1,412	12,661
Prepaid land lease payments (note 17)	–	18,899	18,899
Interests in associates	729	–	729
Biological assets (note 14)	–	1,264	1,264
Goodwill (note 20)	2,506	–	2,506
Inventories	30,488	–	30,488
Trade and other receivables	53,455	3,757	57,212
Cash and bank balances	11,207	4,679	15,886
Trade and other payables	(48,915)	(1,136)	(50,051)
Interest-bearing bank and other borrowings	(16,157)	–	(16,157)
Due to a fellow subsidiary	(13,022)	–	(13,022)
Tax payable	(1,009)	–	(1,009)
Non-controlling interests	(12,594)	–	(12,594)
	17,937	28,875	46,812
Exchange reserve realised	(3,617)	(430)	(4,047)
Gain/(loss) on disposal of subsidiaries (note 12)	(14,320)	430	(13,890)
	–	28,875	28,875
Satisfied by:			
Cash	–	28,875	28,875

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

	2011		
	Genion HK$'000	TCL HK$'000	Total HK$'000
Cash consideration, net of indemnity	–	28,875	28,875
Cash and bank balances disposed of	(11,207)	(4,679)	(15,886)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	(11,207)	24,196	12,989

37. CONTINGENT LIABILITIES

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with banking facilities granted to:				
Subsidiaries	**–**	–	**185,450**	161,450

At 31 December 2011, 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$67,188,000 (2010: HK$63,377,000).

38. PLEDGES OF ASSETS

At the end of the reporting period, certain of the Group's assets were pledged to secure the banking facilities granted to the Group and are analysed as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Net book values of the pledged assets:		
Property, plant and equipment	**–**	10,028
Inventories	**28,216**	20,920
Trade receivables	**8,457**	12,686
Bank deposits	**15,835**	16,885
	52,508	60,519

39. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its shopping stores and office properties under operating lease arrangements. Leases for these shopping stores are negotiated for terms of eight years, and those for office properties are for terms ranging from one to three years.

At 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**8,732**	8,059
In second to fifth years, inclusive	**14,339**	7,727
After five years	**3,999**	3,449
	27,070	19,235

40. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group has capital commitments contacted, but not provided for land in Mainland China of approximately HK$3,494,000 (2010: HK$3,329,000) at the end of the reporting period.

At the end of the reporting period, the Company did not have any significant commitments (2010: Nil).

41. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transaction	Notes	2011 HK$'000	2010 HK$'000
Non-controlling shareholder of a former subsidiary**	Interest income	(i)	(156)	–
Non-controlling shareholder of a former subsidiary**	Interest expenses	(i)	156	–
Directors and companies in which certain directors have beneficial interests*/**	Information technology related services income	(ii)	–	(967)
Directors and companies in which certain directors have beneficial interests*/**	Rental expenses	(iii)	2,597	3,084
Directors and companies in which certain directors have beneficial interests*/**	Interest expense	(iv)	–	188
Directors**	Interest expenses	(v)	2,857	2,425

* The directors of the Company are also the directors of the related companies.

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

Notes:

(i) The interest income/expense was charged at interest of 8% per annum.

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

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

(iv) The interest expense was charged at the Hong Kong dollar prime rate per annum. The terms offered to the Group are at similar terms offered to clients with similar characteristics.

(v) The interest expenses were charged at the Hong Kong dollar prime rate per annum.

41. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties:

Details of the balances with related parties at the end of the reporting period are included in notes 18, 19, 29, 30 and 31 to the financial statements.

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

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

42. 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:

2011 **Group**

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	–	–	29,319	29,319
Trade and other receivables	–	269,515	–	269,515
Financial assets at fair value through profit or loss	23,907	–	–	23,907
Advances to non-controlling shareholders of subsidiaries	–	1,778	–	1,778
Pledged bank deposits	–	15,835	–	15,835
Cash and cash equivalents	–	57,149	–	57,149
	23,907	344,277	29,319	397,503

2011 **Group**

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and other payables	208,191
Interest-bearing bank and other borrowings	87,552
Advances from shareholders	56,782
Advances from non-controlling shareholders of subsidiaries	25
	352,550

42. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2010 Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	–	–	33,166	33,166
Trade and other receivables	–	257,241	–	257,241
Financial assets at fair value through profit or loss	43,950	–	–	43,950
Due from affiliates	–	2,037	–	2,037
Advances to non-controlling shareholders of subsidiaries	–	1,694	–	1,694
Pledged bank deposits	–	16,885	–	16,885
Cash and cash equivalents	–	65,998	–	65,998
	43,950	343,855	33,166	420,971

2010 Group

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and other payables	197,466
Interest-bearing bank and other borrowings	109,765
Advances from shareholders	62,860
Advances from non-controlling shareholders of subsidiaries	404
	370,495

42. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

Financial assets

	Loans and receivables	
	2011	2010
	HK$'000	HK$'000
Cash and cash equivalents	**109**	113

Financial liabilities

	Financial liabilities at amortised cost	
	2011	2010
	HK$'000	HK$'000
Other payables	**61**	63
Due to subsidiaries	**166**	83
	227	146

43. FAIR VALUE AND FAIR VALUE HIERARCHY

Fair value

The carrying amounts of the Group and the Company's financial assets and liabilities as at 31 December 2011 and 31 December 2010 approximate to their fair value.

Fair value hierarchy

The Group uses the following hierarchy for 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)

At the end of each reporting period, the financial instruments measured at fair value held by the Group were classified as level 1.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

If there would be a general increase in the interest rate of net debts obligations with floating interest rates by fifty basis points (2010: fifty basis points), with all other variables held constant, the Group's loss before tax would be increased and retained profits would be decreased by approximately HK$648,000 (2010: HK$736,000), respectively, for the year ended 31 December 2011.

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

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

The following table demonstrates the sensitivity at the 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 loss before tax (due to changes in the fair value of monetary assets and liabilities).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

	Group	
	Change in foreign currency rate	**Decrease/ (increase) in loss before tax**
	%	**HK$'000**
2011		
If Hong Kong dollar weakens against:		
RMB	**5**	**4,563**
If Hong Kong dollar strengthens against:		
RMB	**5**	**(4,563)**
2010		
If Hong Kong dollar weakens against:		
RMB	5	3,047
If Hong Kong dollar strengthens against:		
RMB	5	(3,047)

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, available-for-sale financial assets, equity investments at fair value through profit or loss and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other interest-bearing loans.

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

Group			**2011**		
	On demand	**Less than 3 months**	**3 to less than 12 months**	**Over 1 year**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Trade and other payables	**65,070**	**143,117**	**4**	**–**	**208,191**
Interest-bearing bank and other borrowings	**4,315**	**67,188**	**16,049**	**–**	**87,552**
Advances from shareholders	**–**	**–**	**–**	**56,782**	**56,782**
Advances from non-controlling shareholders of subsidiaries	**–**	**–**	**25**	**–**	**25**
	69,385	**210,305**	**16,078**	**56,782**	**352,550**

Group			2010		
	On demand	Less than 3 months	3 to less than 12 months	Over 1 year	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade and other payables	15,561	178,402	3,503	–	197,466
Interest-bearing bank and other borrowings	11,152	55,730	42,883	–	109,765
Advances from shareholders	–	–	–	62,860	62,860
Advances from non-controlling shareholders of subsidiaries	404	–	–	–	404
	27,117	234,132	46,386	62,860	370,495

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Company	**2011** On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Over 1 year HK$'000	Total HK$'000
Other payables	**61**	**–**	**–**	**–**	**61**
Due to subsidiaries	**–**	**–**	**–**	**166**	**166**
Guarantees given to banks in connection with facilities granted to subsidiaries	**67,188**	**–**	**–**	**–**	**67,188**
	67,249	**–**	**–**	**166**	**67,415**

Company	2010 On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Over 1 year HK$'000	Total HK$'000
Other payables	–	63	–	–	63
Due to a subsidiary	–	–	–	83	83
Guarantees given to banks in connection with facilities granted to subsidiaries	63,377	–	–	–	63,377
	63,377	63	–	83	63,523

Equity price risk

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

	31 December 2011	**High/low 2011**	31 December 2010	High/low 2010
Hong Kong – Hang Seng Index	**18,434**	**24,420/ 16,250**	23,035	24,964/ 18,986

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. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the income statement.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Equity price risk *(continued)*

	Carrying amount of equity investments HK$'000	Change in loss before tax HK$'000	Change in equity* HK$'000
2011			
Investments listed in:			
Hong Kong – Held-for-trading	**23,907**	**2,391**	**–**
– Available-for-sale	**28,858**	**–**	**2,886**
2010			
Investments listed in:			
Hong Kong – Held-for-trading	43,950	4,395	–
– Available-for-sale	32,705	–	3,271

* Excluding retained earnings

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 shareholders' 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 2011 and 2010.

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

	Group	
	2011 HK$'000	2010 HK$'000
Interest-bearing bank and other borrowings	**87,552**	109,765
Less: Cash and cash equivalents	**(57,149)**	(65,998)
Net debt	**30,403**	43,767
Capital	**148,241**	190,715
Capital and net debt	**178,644**	234,482
Gearing ratio	**17.0%**	18.7%

45. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the current year, as detailed in note 12 to the financial statements, had been discontinued at the beginning of the comparative period. Certain comparative amounts in note 4 under the heading "Operating Segment Information" have been reclassified to conform with the current year presentation. In the opinion of the Company's directors, such reclassification provide a more appropriate presentation on the Group's business segments.

46. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors of the Company on 27 March 2012.

47. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2011 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Chongqing Fortuna Information Technology Co., Ltd. (note c)	The PRC/ Mainland China	RMB3,330,000	70%	Information technology related business
Four Seas Travel (BVI) Limited	British Virgin Islands	US$100	100%	Investment holding
Glad Light Investment Limited	Hong Kong	HK$10,000	100%	Property investment
Greenearn Investments Limited	Hong Kong	HK$2	100%	Investment holding
Hong Kong Four Seas Tours Limited	Hong Kong	HK$20,800,000 Ordinary HK$1,200,000 Non-voting deferred (note b)	100%	Sale of airline tickets and provision of travel related services
Jadeland Investment Limited	Hong Kong	HK$2	100%	Property investment
King Link Investments Limited	Hong Kong	HK$2	100%	Investment holding
Nanjing South China Baoqing Jewellery Co., Ltd. (note c)	The PRC/ Mainland China	RMB5,500,000	65.45%	Trading and manufacturing of jewellery
South China (BVI) Limited	British Virgin Islands	US$10,000	100%	Investment holding

47. PARTICULARS OF THE 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 Information Technology Development Limited	Cayman Islands	HK$1	100%	Investment holding
Southchinanet.com (BVI) Limited	British Virgin Islands	US$1	100%	Investment holding
Splendid Enterprises Limited	British Virgin Islands	US$1	100%	Investment holding
Super Giant Limited	British Virgin Islands	US$1	100%	Investment holding
Tek Lee Finance and Investment Corporation Limited	Hong Kong	HK$287,498,818	100%	Investment holding
Winfound Investments Limited	Hong Kong	HK$2	100%	Property investment
Worldunity Investments Limited	Hong Kong	HK$10,000	100%	Investment holding

Notes:

(a) The above principal subsidiaries, except South China (BVI) Limited and South China Information Technology Development Limited, 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.

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

Save as aforesaid, none of the subsidiaries had any debt securities in issue at any time during the year or at the end of the year.

Five Year Financial Summary

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 accordingly, is set out below.

RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
REVENUE	**152,271**	129,979	215,792	169,827	4,615,990
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(472)**	(6,630)	70,684	28,399	515,135
TAX	**(6,821)**	(4,735)	(4,116)	(4,740)	(12,223)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**(7,293)**	(11,365)	66,568	23,659	502,912
PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS	**(19,201)**	2,772	10,564	(131,885)	75,320
PROFIT/(LOSS) FOR THE YEAR	**(26,494)**	(8,593)	77,132	(108,226)	578,232
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**(16,697)**	(13,532)	83,746	(65,129)	416,809
NON-CONTROLLING INTERESTS	**(9,797)**	4,939	(6,614)	(43,097)	161,423
	(26,494)	(8,593)	77,132	(108,226)	578,232

ASSETS AND LIABILITIES

	At 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**506,181**	565,655	487,094	3,899,988	4,794,018
TOTAL LIABILITIES	**(357,940)**	(374,940)	(290,144)	(1,919,502)	(2,534,976)
TOTAL EQUITY	**148,241**	190,715	196,950	1,980,486	2,259,042
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	**127,561**	149,756	161,315	1,378,231	1,574,348
NON-CONTROLLING INTERESTS	**20,680**	40,959	35,635	602,255	684,694
	148,241	190,715	196,950	1,980,486	2,259,042

Particulars of the Properties

INVESTMENT PROPERTIES

Location	Group's interest	Existing use
Hong Kong		
Lot Nos. 116-121 123-126, 127A 127R.P., 129-135 136A, 136R. P. 137, 140, 141A 141B, 141C, 143 144, 145, 146A 146R.P., 148 in Demarcation District No. 236 Tai Wan Tau Clear Water Bay New Territories Hong Kong	100%	Vacant