South China (China) Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 413

Annual Report

2011

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Ms. Ng Yuk Mui, Jessica

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE*

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

(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. Law Albert Yu Kwan

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Chong Hing Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
China Construction Bank Corporation
DBS Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited
Bank of Communications Co., Ltd.
Dah Sing Bank, Limited
Bank of China Limited
AFC Merchant Bank

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

413

WEBSITE

http://www.scchina.co

Chairman's Statement and Management Discussion and Analysis

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

FINANCIAL SUMMARY

The Group recorded the revenue of HK$3.1 billion for the year ended 31 December 2011, representing an increase of 17.0% over the results of 2010. Profit attributable to shareholders decreased by 35.6% to HK$262 million in the same period. The decrease in the profit attributable to shareholders in 2011 is largely attributable to the fair value gain in investment properties being less significant as compared to 2010 and the Group recorded a decrease in fair value of biological assets due to adverse weather conditions in Hebei and Xian during the year.

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: a final cash dividend of HK1.00 cent per ordinary share totaling approximately HK$29.89 million).

BUSINESS REVIEW

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

Trading and Manufacturing

The trading and manufacturing segment mainly comprises three principal business units, Wah Shing Toys, Wah Shing Electronics and South China Shoes. Despite the weak global economy, appreciation of Renminbi and increase in material and labour costs, the segment recorded a 14.6% increase in revenue to HK$3.0 billion but a 4.5% drop in operating profit to HK$138.2 million for the year ended 31 December 2011.

The segment experienced a record high in turnover in 2011. This was largely due to the fact that Wah Shing Toys was able to benefit from the further consolidation of the toys industry after the financial tsunami in late 2008. The turnover achieved in 2011 further confirmed that the exceptional growth in 2010 is sustainable. This further strengthened our position as one of the leading players in the toys industry.

During the year, Wah Shing Toys, Wah Shing Electronics and South China Shoes reported a growth in revenue by 13.0%, 13.7% and 34.6% respectively as compared to 2010. These three major operating subsidiaries, however, recorded a 13.4% decrease in profit from operation to HK$138.6 million in 2011 due to the above mentioned adverse factors.

Property Investment and Development

Revenue from the property investment and development segment increased by 85.5% to HK$107.5 million for the year ended 31 December 2011 as compared to the corresponding period in 2010. The increase in revenue primarily reflects the effect of renewed and new lease agreements and the periodic rental adjustment clauses of the existing tenancy agreements. In particular, rental income from a subsidiary in Nanjing increased by HK$44.5 million or 186.6% to HK$68.3 million as compared to the corresponding period in 2010. Such increase in rental income includes a one-off retrospective rental adjustment of HK$34.7 million in respect of the prior years' rental as agreed with a tenant. The fair value gain on investment properties and the investment properties held for sale, however, decreased by 28.1% to HK$102.5 million in aggregate. This eroded the rental income recognized in respect of the abovementioned one-off retrospective rental adjustment. Operating profit after the fair value gain from the segment decreased by HK$10.1 million to HK$156.6 million as compared to the corresponding period in 2010.

Our Group's share of the 30% owned principal associate that holds the Grade-A commercial building in Central Hong Kong, the Centrium, recorded a profit before tax from operation of HK$31.9 million at the level similar to that of the corresponding period. The Group's share of fair value change on the property (net of the corresponding deferred tax charge) was HK$154.1 million.

Agriculture and Forestry

In line with the Group's strategy to be one of the active market players in the Mainland's agriculture industry, we continued our effort in expanding our farmland gradually. In 2011, the Group entered into new leases for approximately 254,000 mu of woodlands in Chongqing and Wuhan and approximately 28,000 mu of farmlands in Shenyang, Xian, Harbin and Hebei. The newly acquired farmlands in Shenyang, Harbin and Hebei are mainly used to plant cotton, corns and potatoes.

Revenue from the agriculture segment increased by 188.9% to HK$35.1 million for the year ended 31 December 2011 as compared with 2010.

The agriculture segment recorded a loss before changes in fair value of HK$34.4 million in 2011 as compared to a loss before changes in fair value of HK$16.6 million in 2010. This is mainly due to the large-scale plantation in Shenyang and Hebei, the drop in market price of certain agricultural produce in Harbin and the adverse weather conditions in Xian and Hebei.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2011, the Group had a current ratio of 1.1 and a gearing ratio of 2.6% (31 December 2010: 1.0 and 1.7%, respectively). The gearing ratio is computed by comparing the Group's total long-term bank and other borrowings of HK$68.5 million to the Group's equity of HK$2.6 billion. The Group's operation and investments continued 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. There was no material change in the Group's capital structure as compared to the 2010 annual report.

MATERIAL ACQUISITIONS AND DISPOSALS

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

On 11 January 2011, the Group entered into an agreement to acquire certain subsidiaries engaged in agricultural business in the PRC from a subsidiary of South China Land Limited ("SCL"), an exempted company incorporated in the Cayman Islands with limited liability with its shares listed on the Growth Enterprise Market of the Stock Exchange, for a consideration of HK$24.1 million subject to adjustment in accordance with the terms of the agreement. The Group and SCL are ultimately controlled by a substantial shareholder of the Company. The transaction was completed on 31 March 2011.

Details of the above acquisitions were set out in the Company's announcements dated 11 January 2011.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

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 leasehold land and building, investment properties, non-current assets classified as held for sale, inventories and shares in a wholly owned subsidiary of the Group were pledged to secure the banking facilities.

Details of the Group's contingent liabilities and pledges of assets are set out in notes 43 and 44 to the financial statements respectively.

INVESTMENTS

For the year ended 31 December 2011, available-for-sale financial assets decreased from HK$53.4 million to HK$46.0 million and financial assets at fair value through profit and loss increased from HK$25.7 million to HK$26.9 million.

EMPLOYEES

As at 31 December 2011, the total number of employees of the Group was approximately 17,800 (2010: 20,900).

Employees' costs (including directors' emoluments) amounted to approximately HK$934.6 million for the year ended 31 December 2011 (2010 (restated): HK$816.8 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 his/her performance. The Company adopted a share option scheme that came into effect on 18 June 2002.

PROSPECTS

Trading and Manufacturing

The year 2012 will be yet another challenging year to the Group's trading and manufacturing business as recovery in the US economy is still uncertain and the debt crisis clouding the Europe region has not been resolved completely.

The Group is cautiously optimistic as to the ongoing performance of our trading and manufacturing segment. The mixed economic indicators published in US in the recent months suggested that US economy has gone through its toughest period and is accumulating strength to kick start its economic recovery. The Group expects increases in labour and material costs and appreciation of RMB during 2012 but the increases would be at a much smaller magnitude than in 2011. In addition, the Group will continue its effort to expand its product range, enlarge our customer base and negotiate with customers to reflect current costs on an ongoing basis. On Wah Shing Toys, the Group is planning to set up a profit improvement committee aiming at inspiring employees' initiative in cost improvement in every aspect of the manufacturing processes. We believe that this effort will bring positive contribution to the bottom line of the segment.

Property Investment and Development

The Group has a property portfolio of more than 400,000 square meters in China and 291,000 square feet in Hong Kong. The investment properties in China are mostly in prime locations, and they offer strong redevelopment potential as their average plot ratio is below 1.0. The Group is continuously looking for redevelopment opportunities for these properties in order to maximize their return to shareholders.

In Nanjing, the Group's principal investment properties are located in prime locations. The street-front shops at Shi Zi Qiao (Lion Bridge), the traditional pedestrian/food street in Golou district in the centre of Nanjing city, are one of our hidden gems. The rental income generated from these shops carries potential for further increase on the expiry of the current lease agreements. Given the location and the size of the site, the hidden strength and value of the site as a large-scale shopping mall would be fully exploited when a redevelopment plan is agreed with the government.

The 29,000 square meters site in Yuhuatai, Nanjing is currently being leased out as a flower wholesale market. Given its prime location and close proximity to the metro station, there is a great potential to explore fully the hidden strength and value of the site through redevelopment into a residential and/or commercial property in the future.

In Guangdong province, the negotiation with the government to redevelop part of its lychee plantation in Zengcheng into a commercial/residential estate is in progress. This will be the first phase of the development of this plantation area, which is adjacent to Guangzhou's third ring road completed last year. We anticipate that the re-development of this plantation area is of substantial potential as it is only 30 kilometers from Guangzhou city.

In Tianjin, the Group is evaluating continuously the redevelopment potential of a number of industrial sites. In particular, a factory site near the metro station is being planned for commercial development.

On 6 January 2012, shareholders approved the entrusted management agreement whereby the Group acquired the exclusive right to manage a shopping mall in Shenyang. We believe that this agreement does not only enable the Group to widen its property leasing business to cover shopping mall related operations in the medium and long term, but also provides the Group with another stable recurring income source.

With the existing lease agreements due for renewal in the future and the entrusted management agreement signed, the Group expects that revenue and contribution from property investment and development segment would continue to grow and become one of the Group's major recurring and reliable income sources. We will continue to unload our non-core investment properties in Hong Kong in order to reallocate more resources to our projects in China.

Agriculture and Forestry

The Group currently has long-term leases of about 354,000 mu of woodland, farmland, fishpond and lake space in various major provinces in China. We are focusing on the plantation of fruits such as apples, melons, lychee, longan, winter date fruits, crops such as corns and potatoes and breeding of livestock such as pigs and fishes for sale. The Group will continue its effort in exploring plantation opportunities for high profit margin species. With the acquisition of woodlands in 2011, it places the Group in a good position to capture opportunities available in China's forestry industry in the long run.

With the plantation experience gained in the past years, we expect that the agriculture segment will gradually generate sustainable profit to the Group in the future.

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"), South China Holdings Limited ("SCH") and South China Land Limited ("SCL"). He holds a Master degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. Mr. Ng was appointed as a Director of the Company on 24 June 1992. Mr. Ng is the father of Ms. Ng Yuk Mui, Jessica, a Non-executive Director of the Company, and Mr. Ng Yuk Fung, Peter, an Executive Director of the Company.

Ms. Cheung Choi Ngor, aged 58, is an Executive Director and the Vice-Chairman and Chief Executive Officer of the Company, an executive director and a vice-chairman of SCF, an executive director of SCH and an executive director, the compliance officer and an authorised representative of SCL. She holds a Master degree in business administration from University of Illinois in the United States of America. Ms. Cheung is a member of National Committee of the Chinese People's Political Consultative Conference. Ms. Cheung was appointed as a Director of the Company on 24 June 1992.

Mr. Richard Howard Gorges, aged 68, is an Executive Director and the Vice-Chairman of the Company and SCF. He is also an executive director of SCH and SCL. He holds a Master degree in law from Cambridge University in the United Kingdom. Mr. Gorges was appointed as a Director of the Company on 24 June 1992.

Mr. Ng Yuk Fung, Peter, aged 31, is an Executive Director of the Company, SCH and SCL. Mr. Ng holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom and is an associate member of the Chartered Institute of Management Accountants. He is also a member of Nanjing Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Ng was appointed as an Executive Director of the Company on 17 June 2002. He is the son of Mr. Ng Hung Sang, the Chairman of the Company, and the brother of Ms. Ng Yuk Mui, Jessica, a Non-executive Director of the Company.

NON-EXECUTIVE DIRECTOR

Ms. Ng Yuk Mui, Jessica, aged 33, is a Non-executive Director of the Company, SCH and SCL, and the chief executive officer of South China Media Limited. Ms. Ng holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom, and was admitted to the Hong Kong Bar in 2006. Ms. Ng is an associate member of the Chartered Institute of Management Accountants and a member of Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. Ms. Ng was appointed as an Executive Director of the Company on 17 June 2002 and redesignated as Non-executive Director of the Company with effect from 1 July 2005. She is the daughter of Mr. Ng Hung Sang, the Chairman of the Company, and the sister of Mr. Ng Yuk Fung, Peter, an Executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Li Yuen Yu, Alice, aged 42, is an Independent Non-executive Director of the Company, Director of Cheng & Cheng Limited, Certified Public Accountants in Hong Kong. She received her Accounting degree from Monash University, Australia in 1994 and was admitted as a Certified Public Accountant in Australia in 1997 and in Hong Kong in 1998. She is a fellow member of the Taxation Institute of Hong Kong. Ms. Li was appointed as an Independent Non-executive Director of the Company on 28 September 2004.

Mr. Chiu Sin Chun, aged 64, has more than 30 years' experience in the newspaper and media industry. Mr. Chiu was appointed as an Independent Non-executive Director of the Company on 20 August 2001.

Mrs. Tse Wong Siu Yin, Elizabeth, aged 54, is an Independent Non-executive Director of the Company, SCH and SCF, 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 in Science from the University of Western Ontario in Canada. Mrs. Tse was appointed as an Independent Non-executive Director of the Company on 19 October 2004.

Directors' Report

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

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2011 and state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 113 of this Annual Report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: a final cash dividend of HK1.00 cent per ordinary share totaling approximately HK$29.89 million).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 114 of this Annual Report. This summary does not form part of the audited financial statements.

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

Details of movements in the property, plant and equipment, investment properties and non-current assets classified as held for sale of the Group during the year are set out in notes 15, 16 and 24 to the financial statements, respectively. Further details of the Group's investment properties and non-current assets classified as held for sale are set out on pages 115 to 120 of this Annual Report.

SHARE CAPITAL

Details of movements in the shares, share options, warrants and share awards of the Company during the year are set out in notes 40 and 41 to the financial statements.

PRE-EMPTIVE RIGHTS

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

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

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Saved as disclosed above, as at 31 December 2011, the Company's subsidiary, Skychance Group Limited, acting in the capacity of the trustee of the Company's employees' share award scheme (the "Share Award Scheme"), purchased, inter alia, 17,928,000 shares of the Company on the Stock Exchange at a total consideration of HK$10.8 million for the purpose of the Share Award Scheme.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 42 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$100,174,000.

DIRECTORS

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

Executive Directors:

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

Non-executive Director:

Ms. Ng Yuk Mui, Jessica

Independent Non-executive Directors:

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

In accordance with article 116 of the Articles of Association of the Company, Mr. Richard Howard Gorges, Ms. Ng Yuk Mui, Jessica, and Mr. Chiu Sin Chun will retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules") from each of the Independent Non-executive Directors, namely Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin, Elizabeth and Ms. Li Yuen Yu, Alice for the year ended 31 December 2011 and as at the date of this report, the Company continues to consider the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on page 7 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 ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the 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:

(a) the Company

(i) Long positions in shares

Name of Director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Ng Hung Sang ("Mr. Ng")	Beneficial owner	185,706,917	1,883,283,829	63.01%
	Interest of spouse	53,500,000		
	Interest of controlled corporations	1,644,076,912 (Note a)		
Ng Yuk Fung, Peter	Beneficial owner	161,984,000	161,984,000	5.42%
Ng Yuk Mui, Jessica	Beneficial owner	68,280,000	68,280,000	2.28%

(ii) Long positions in underlying shares

Share options

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

(b) Associated corporation

Long positions in shares

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

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

Notes:

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

(b) Please refer to the details set out in note 41 headed "Share Option Scheme" to the financial statements.

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

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

SHARE OPTION SCHEME

The Directors and employees of the Company and its subsidiaries are entitled to participate in the share option scheme of the Company. Particulars of the share option scheme of the Company together with details of the options granted were set out in note 41 to the financial statements. Certain Directors had participated in the share option scheme of the Company. Details of the options granted by the Company to the Directors were set out under the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" of this report.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company formally adopted the Share Award Scheme for recognizing the contributions by certain employees of the Group, giving incentive to them in order to retain them for the continual operation and development of the Group and attracting suitable personnel for the development of the Group. Pursuant to the Share Award Scheme, a sum up to HK$40 million will be used until 31 December 2013 for the purchase of shares of the Company and/or SCL (the "Shares") from market which will be held on trust by the trustee for the selected employees of the Group. The selected employees and the reference awarded sum for the purchase of Shares to be awarded shall be determined by the Board from time to time at its absolute discretion.

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

During the year under review, cash dividend income amounting to HK$149,000 (2010: Nil) had been received in respect of the shares held on trust for the Share Award Scheme. The amount which is referable to the selected employees at the time of income received shall vest in those selected employees and the remaining amount shall form part of the trust fund whereby the trustee may apply such fund for the purpose of the Share Award Scheme under the direction of the Board from time to time subject to the rules of the Share Award Scheme.

As at 31 December 2011, 7,680,000 shares of the Company and 25,360,000 shares of SCL were granted to the Group's selected employees (without Directors) under the Share Award Scheme, out of which, 1,344,000 shares of the Company and 4,464,000 shares of SCL lapsed. The outstanding Shares granted as at 31 December 2011 were 6,336,000 shares of the Company and 20,896,000 shares of SCL with various vesting dates from 31 December 2012 to 30 June 2014.

No awarded Shares had vested during the year ended 31 December 2011. The Company recognized a share award expense of HK$1,358,000 (2010: Nil) during the year ended 31 December 2011.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

PENSION SCHEMES

Details of the pension schemes of the Group are set out in note 2.5 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of transactions during the year between the Group and other companies in which a director of the Company had beneficial interest are set out in note 47 to the financial statements and the section headed "Connected and Continuing Connected Transactions" of this report.

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

MANAGEMENT CONTRACTS

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

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

As at 31 December 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 that was required to be kept by the Company under Section 336 of Part XV of the SFO:

Long positions in shares

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

Notes:

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

(b) Ms. Ng, who holds 53,500,000 shares of the Company beneficially, is the spouse of Mr. Ng, the Chairman and an executive director of the Company. By virtue of the SFO, Ms. Ng is deemed to be interested in the 185,706,917 shares and 1,644,076,912 shares held by Mr. Ng beneficially and through controlled corporations respectively as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" above.

Save as disclosed above, as at 31 December 2011, no person, other than the Directors or chief executives of the Company whose interests are set out in the section headed "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 SCH and SCL.

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

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

Certain subsidiaries of SCH and SCL are engaged in property investment and development business which is considered as competing business of the Group. Accordingly, each of Mr. Ng, Ms. Cheung, Mr. Gorges, Mr. Ng Yuk Fung, Peter and Ms. Ng Yuk Mui, Jessica is regarded as interested in such competing business of the Group.

The Directors are of the view that the Company can carry on its business independently of and at arm's length from the business of SCH and SCL as there is no direct competition amongst the three listed groups.

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 19 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 47 to the financial statements.

CONNECTED TRANSACTIONS

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

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

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

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

(4) A sale and purchase agreement dated 28 October 2011 entered into between Crystal Hub as vendor with South China Strategic (BVI) Limited, an indirect wholly-owned subsidiary of the Company, as purchaser in relation to the acquisition of the entire issued share capital of Surplus Access International Limited (together with the shareholder's loan outstanding as at 31 October 2011), which together with its subsidiaries for a consideration of HK$6.3 million. Details of the transaction were disclosed in the announcement of the Company dated 28 October 2011.

As at the dates of signing of the above mentioned agreements, Mr. Ng, the Chairman, an executive director and a substantial shareholder of the Company, was interested in 66.74% (on 11 January 2011 and 15 March 2011) and 67.05% (on 28 October 2011) in SCL and 73.72% in SCH.

CONTINUING CONNECTED TRANSACTIONS

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

(1) On 15 December 2009, Copthorne Holdings Corp. ("Copthorne"), an indirect wholly-owned subsidiary of the Company, as landlord entered into five tenancy agreements with South China Media Management Limited ("SC Management"), a company indirectly wholly-owned by Mr. Ng, as tenant for the premises at Units A, B and D on 3rd Floor, Units A, B, C and D on 4th Floor and Units A, B, C and D on 12th Floor together with car parking spaces nos. 12A, 12B, 13A and 13B of Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong at an aggregate monthly rental of HK$229,916 for two years from 1 January 2010 to 31 December 2011. Details of the above transactions were disclosed in the announcement of the Company dated 15 December 2009.

(2) A tenancy agreement dated 15 December 2009 entered into between First City Limited, an indirect wholly-owned subsidiary of the Company, as landlord and Hong Kong Four Seas Tours Limited ("Four Seas"), an indirect wholly-owned subsidiary of SCH, 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 two years from 1 January 2010 to 31 December 2011. Details of the above transaction were disclosed in the announcement of the Company dated 15 December 2009.

(3) A tenancy agreement dated 15 December 2009 entered into between Glorious Dragon Investments Limited, an indirect wholly-owned subsidiary of the Company, as landlord 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 two years from 1 January 2010 to 31 December 2011. Details of the above transaction were disclosed in the announcement of the Company dated 15 December 2009.

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

(5) A renewal of tenancy agreement dated 15 December 2009 entered into between Tamon Development Limited ("Tamon"), an indirect wholly-owned subsidiary of the Company, as landlord and Four Seas as tenant for the premises at Rooms 301-312, 2/F, Four Seas Jade Centre, 530-536 Canton Road, Yau Ma Tei, Kowloon, Hong Kong at a monthly rental of HK$12,500 for two years from 1 January 2010 to 31 December 2011. Upon sale of the said property by Tamon to an independent third party in February 2011, the transaction contemplated under the above tenancy agreement ceased to be a continuing connected transaction of the Company.

(6) On 31 May 2011, Copthorne as landlord entered into a tenancy agreement with Jessicacode Management Limited (formerly known as "Honbridge Management Limited"), a company indirectly wholly-owned by Mr. Ng, as tenant for the premises at Unit C, on 3rd Floor of Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong at a monthly rental of HK$27,385 for two years from 1 July 2011 to 30 June 2013. Details of the transaction were disclosed in the announcement of the Company dated 31 May 2011.

As at 31 December 2011, Mr. Ng, the Chairman, an executive director and a substantial shareholder of the Company, was interested in 67.05% in SCL and 73.72% in SCH.

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

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 auditors were 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 auditors have 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 auditors' letter has been provided by the Company to the Stock Exchange.

During the year, the Group had entered into the following continuing connected transactions which became effective since January 2012, details of which were disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

(A) On 2 November 2011, Green Orient Investments Limited, an indirect wholly-owned subsidiary of the Company, as grantee entered into an agreement of entrusted management (the "Agreement") with Crystal Hub as grantor for the exclusive right to manage the premises at Fortuna Plaza, No. 168 Chaoyang Street, Shenyang, Liaoning Province, the PRC, which is restricted to the use of shopping mall and related operation, for one year up to 31 December 2012 with the grantee having the right to renew the Agreement annually on the same terms and conditions until 31 December 2026 at a basic annual fee of RMB80 million and an additional annual performance fee calculated based on 50% of the net operating profit as defined in the Agreement. The Agreement was approved by the independent shareholders of the Company and SCL at the extraordinary general meetings of the respective companies held on 6 January 2012. Details of the transaction were disclosed in the announcement and circular of the Company dated 2 November 2011 and 19 December 2011 respectively.

(B) On 12 December 2011, the tenancy agreements in (2) and (3) above were renewed by the respective same parties on the same terms and conditions for two years from 1 January 2012 to 31 December 2013. Details of the above transactions were disclosed in the announcement of the Company dated 12 December 2011.

(C) On 29 December 2011, the tenancy agreements in (1) above were renewed by the respective same parties for two years from 1 January 2012 to 31 December 2013 at an aggregate monthly rental of HK$246,259.70 for the first year and HK$257,155.50 for the second year. Details of the above transactions were disclosed in the announcement of the Company dated 29 December 2011.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely, Ms. Li Yuen Yu, Alice (Chairman of the Audit Committee), Mr. Chiu Sin Chun and Mrs. Tse Wong Siu Yin, Elizabeth.

The Audit Committee is satisfied with its review of the audit fees and 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 sales to the Group's five largest customers accounted for 74.6% of the total sales and the sales to the largest customer included therein amounted to 46.0%. Purchases from the Group's five largest suppliers accounted for 16.4% of the total purchases and purchases from the largest supplier included therein accounted for 4.2% of the total purchases.

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

EVENT AFTER THE REPORTING PERIOD

Details of the event after the reporting period of the Group are set out in note 51 to the financial statements.

AUDITORS

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

On Behalf of the Board

NG HUNG SANG
Chairman
Hong Kong, 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 emphasizes accountability and transparency to the shareholders. Periodic review will be made to the corporate governance practices to comply with the regulatory requirements.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2011.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2011, the Board composed of 8 directors, including the Chairman who is an Executive Director, 1 Vice-chairman and Chief Executive Officer who is an Executive Director, 1 Vice-chairman who is an Executive Director, 1 additional Executive Director, 1 Non-executive Director, and 3 Independent Non-executive Directors. One-third of the Board is Independent Non-executive Directors. Their biographies and relevant relationships amongst them are set out in the Directors' Biographical Details on page 7 of this Annual Report.

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

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

The Board has adopted a formal written procedure and policy for the appointment of new directors. When selecting potential candidates for directors, their skill, experience, expertise, devotion of time and conflicts of interests are the key factors for consideration. No nomination committee has been set up, and, hence, the nomination and selection process are performed by the Board. The Board meets at least once a year in discussing whether the composition, size and structure of the Board is adequate. The Board met once in 2011 for the said purpose with a majority of Directors present.

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

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

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

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

The Board held eight meetings in 2011.

	Attendance
Executive Directors	
Mr. Ng Hung Sang (*Chairman*)	5/8
Ms. Cheung Choi Ngor (*Vice Chairman & Chief Executive Officer*)	8/8
Mr. Richard Howard Gorges (*Vice-chairman*)	8/8
Mr. Ng Yuk Fung, Peter	6/8
Non-executive Director	
Ms. Ng Yuk Mui, Jessica	4/8
Independent Non-executive Directors	
Ms. Li Yuen Yu, Alice	8/8
Mr. Chiu Sin Chun	8/8
Mrs. Tse Wong Siu Yin, Elizabeth	7/8

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code. In addition, the Board has established similar guidelines for relevant employees who are likely to be in possession of unpublished price sensitive information in relation to the Group or its securities.

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

INTERNAL CONTROL

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

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

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

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 20 of this Annual Report.

AUDITORS' REMUNERATION

For the year ended 31 December 2011, the Auditors of the Company received approximately HK$2,300,000 for audit services and HK$6,000 for non-audit service provided to the Company.

REMUNERATION COMMITTEE

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

The Remuneration Committee met once in December 2011 and it was attended by all Committee members. The policies on the remuneration of Executive Directors were reviewed by the Remuneration Committee. Remuneration, including basic salaries, discretionary performance bonus and other emolument of the Executive Directors is based on skill, knowledge, involvement in the Company's affairs and performance of the individual Executive Directors with reference to the Company's performance and profitability, as well as industry practice. Granting share options and awarding shares are considered as means for giving long-term incentive for retaining staff.

The directors' fees for all Directors are subject to shareholders' approval at general meeting. Remuneration packages of the Executive Directors are reviewed by the Remuneration Committee. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

AUDIT COMMITTEE

The Audit Committee comprises all Independent Non-executive Directors, Ms. Li Yuen Yu, Alice (Chairman of the Audit Committee), Mr. Chiu Sin Chun and Mrs. Tse Wong Siu Yin, Elizabeth. The principal duties of the Audit Committee in accordance with its terms of reference, which 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 three 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 present in one of the meetings.

	Attendance
Ms. Li Yuen Yu, Alice	3/3
Mr. Chiu Sin Chun	3/3
Mrs. Tse Wong Siu Yin, Elizabeth	3/3

The Audit Committee is satisfied with its review of the audit fees and 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 (China) Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of South China (China) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 21 to 113, 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 audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the 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)
REVENUE	4 & 5	**3,097,990**	2,648,673
Cost of sales		**(2,669,334)**	(2,227,789)
Gross profit		**428,656**	420,884
Other income and gains, net	5	**28,290**	30,473
Fair value gain on investment properties inclusive of investment properties presented as non-current assets classified as held for sale		**102,538**	142,567
Fair value (loss)/gain on biological assets	14	**(46,472)**	44,423
Fair value loss on financial assets at fair value through profit or loss		**(14,535)**	(2,914)
Gain on disposal of investment properties presented as non-current assets classified as held for sale		**10,331**	–
Selling and distribution costs		**(42,815)**	(41,979)
Administrative expenses		**(316,249)**	(299,665)
Equity-settled share award and option expenses		**(1,358)**	(9,445)
Other expenses		**–**	(10,000)
		148,386	274,344
Finance costs	7	**(20,505)**	(28,837)
Share of profits and losses of associates		**186,992**	195,042
(Impairment)/reversal of impairment of advances to an associate	6 & 21	**(496)**	376
PROFIT BEFORE TAX	6	**314,377**	440,925
Income tax expense	10	**(36,676)**	(22,696)
PROFIT FOR THE YEAR		**277,701**	418,229
Attributable to:			
Owners of the Company		**262,038**	406,654
Non-controlling interests		**15,663**	11,575
		277,701	418,229
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	13		
Basic		**HK8.8 cents**	HK13.7 cents
Diluted		**HK8.8 cents**	HK13.5 cents

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

Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	2011 HK$'000	2010 HK$'000 (Restated)
PROFIT FOR THE YEAR	**277,701**	418,229
OTHER COMPREHENSIVE INCOME/(LOSS)		
Surplus on revaluation	**8,894**	–
Change in fair value of available-for-sale financial assets	**(7,126)**	11,834
Exchange differences on translation of foreign operations	**48,737**	36,552
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**50,505**	48,386
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**328,206**	466,615
Attributable to:		
Owners of the Company	**308,191**	452,814
Non-controlling interests	**20,015**	13,801
	328,206	466,615

Consolidated Statement of Financial Position

31 December 2011

	Notes	**31 December 2011 HK$'000**	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	15	**214,017**	248,814	236,643
Investment properties	16	**1,648,393**	1,445,134	1,396,616
Prepaid land lease payments	17	**90,000**	64,371	52,164
Construction in progress	18	**84,711**	51,256	27,597
Investments in associates	21	**747,549**	664,184	468,862
Biological assets	14	**155,625**	161,735	88,990
Available-for-sale financial assets	22	**45,987**	53,432	41,901
Other non-current assets	23	**16,666**	16,666	16,666
Trade receivable, prepayments and deposits	26	**30,119**	22,490	–
Goodwill	19	**3,152**	3,071	3,011
Total non-current assets		**3,036,219**	2,731,153	2,332,450
CURRENT ASSETS				
Inventories	25	**346,537**	382,420	306,403
Trade receivables	26	**252,562**	142,134	155,773
Prepayments, deposits and other receivables	27	**210,670**	87,293	75,078
Financial assets at fair value through profit or loss	31	**26,885**	25,698	22,052
Due from a non-controlling shareholder of a subsidiary	28	**245**	–	–
Due from affiliates	29	**78,000**	7,499	19,647
Tax recoverable		**14,530**	1,997	6,808
Cash and bank balances	32	**427,980**	136,358	184,815
		1,357,409	783,399	770,576
Non-current assets classified as held for sale	24	**331,990**	435,339	304,908
Total current assets		**1,689,399**	1,218,738	1,075,484
CURRENT LIABILITIES				
Trade and bills payables	33	**354,371**	293,861	288,390
Other payables and accruals	34	**339,242**	347,694	261,975
Interest-bearing bank and other borrowings	35	**737,795**	466,251	467,856
Due to a non-controlling shareholder of subsidiaries	36	**21,390**	23,943	20,697
Due to affiliates	30	**–**	36,883	27,426
Tax payable		**40,860**	31,480	30,266
Total current liabilities		**1,493,658**	1,200,112	1,096,610
NET CURRENT ASSETS/(LIABILITIES)		**195,741**	18,626	(21,126)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,231,960**	2,749,779	2,311,324

Consolidated Statement of Financial Position

31 December 2011

	Notes	31 December 2011 HK$'000	31 December 2010 HK$'000 (Restated)	1 January 2010 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	35	**68,468**	38,148	40,825
Advance from a director		**–**	–	38,409
Advances from non-controlling shareholders of subsidiaries	37	**31,851**	30,411	29,346
Due to an associate	21	**140,724**	–	–
Other non-current liabilities	38	**90,410**	87,302	85,170
Deemed consideration for acquisition of subsidiaries under merger accounting		**–**	41,796	32,579
Deferred tax liabilities	39	**275,277**	248,716	232,417
Total non-current liabilities		**606,730**	446,373	458,746
Net assets		**2,625,230**	2,303,406	1,852,578
EQUITY				
Equity attributable to owners of the Company				
Issued capital	40	**59,773**	59,773	59,424
Reserves	42(a)	**2,447,890**	2,116,026	1,677,025
Proposed final dividend	12	**–**	29,886	29,714
		2,507,663	2,205,685	1,766,163
Non-controlling interests		**117,567**	97,721	86,415
Total equity		**2,625,230**	2,303,406	1,852,578

Cheung Choi Ngor	**Richard Howard Gorges**
Director	*Director*

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

		Attributable to owners of the Company														
	Notes	Issued capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Merger reserve HK$'000	Land and buildings revaluation reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	PRC statutory reserves HK$'000	Share option reserve HK$'000	Goodwill reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2010																
As previously reported		59,424	96	223	10,805	59,464	23,090	9,832	43,590	(3,067)	87,355	1,471,069	29,714	1,791,595	86,415	1,878,010
Adjusted for common control combinations		–	–	–	(24,530)	–	–	–	–	–	105	(1,007)	–	(25,432)	–	(25,432)
As restated		59,424	96	223	(13,725)	59,464	23,090	9,832	43,590	(3,067)	87,460	1,470,062	29,714	1,766,163	86,415	1,852,578
Profit for the year (as restated)		–	–	–	–	–	–	–	–	–	–	406,654	–	406,654	11,575	418,229
Other comprehensive income for the year:																
Changes in fair value of available-for-sale financial assets	22	–	–	–	–	–	11,834	–	–	–	–	–	–	11,834	–	11,834
Exchange differences on translation of foreign operations (as restated)		–	–	–	–	–	–	–	–	–	34,326	–	–	34,326	2,226	36,552
Total comprehensive income for the year (as restated)		–	–	–	–	–	11,834	–	–	–	34,326	406,654	–	452,814	13,801	466,615
Issue of shares upon exercise of warrants	40	349	6,628	–	–	–	–	–	–	–	–	–	–	6,977	–	6,977
Dividends paid to non-controlling shareholders of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	–	–	(2,495)	(2,495)
Transfer to statutory reserves		–	–	–	–	–	–	1,133	–	–	–	(1,133)	–	–	–	–
Recognition of equity-settled share based compensation: share option	6	–	–	–	–	–	–	–	9,445	–	–	–	–	9,445	–	9,445
Final dividend for 2009 paid		–	–	–	–	–	–	–	–	–	–	–	(29,714)	(29,714)	–	(29,714)
Final dividend for 2010 proposed	12	–	–	–	–	–	–	–	–	–	–	(29,886)	29,886	–	–	–
Balance at 31 December 2010 (as restated)		59,773	6,724*	223*	(13,725)*	59,464*	34,924*	10,965*	53,035*	(3,067)*	121,786*	1,845,697*	29,886	2,205,685	97,721	2,303,406

Consolidated Statement of Changes in Equity

Year ended 31 December 2011

		Attributable to owners of the Company																
	Notes	Issued capital HK$'000	Share premium HK$'000	Contributel surplus HK$'000	Capital redemption reserve HK$'000	Merger reserve HK$'000	Land and buildings revaluation reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	PRC statutory reserves HK$'000	Shares held for Share Award Scheme HK$'000	Employee share-based compensation reserve# HK$'000	Goodwill reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2011																		
As previously reported		59,773	6,724	–	223	10,805	59,464	34,924	10,965	–	53,035	(3,067)	120,007	1,852,828	29,886	2,235,567	97,721	2,333,288
Adjusted for common control combinations		–	–	–	–	(24,530)	–	–	–	–	–	–	1,779	(7,131)	–	(29,882)	–	(29,882)
As restated		59,773	6,724	–	223	(13,725)	59,464	34,924	10,965	–	53,035	(3,067)	121,786	1,845,697	29,886	2,205,685	97,721	2,303,406
Profit for the year		–	–	–	–	–	–	–	–	–	–	–	–	262,038	–	262,038	15,663	277,701
Other comprehensive income for the year:																		
Surplus on revaluation		–	–	–	–	–	8,576	–	–	–	–	–	–	–	–	8,576	318	8,894
Changes in fair value of available-for-sale financial assets	22	–	–	–	–	–	–	(7,126)	–	–	–	–	–	–	–	(7,126)	–	(7,126)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	–	–	44,703	–	–	44,703	4,034	48,737
Total comprehensive income for the year		–	–	–	–	–	8,576	(7,126)	–	–	–	–	44,703	262,038	–	308,191	20,015	328,206
Contributed surplus arising from vendor's waiver of shareholder's loans in a common control combination		–	–	33,389	–	–	–	–	–	–	–	–	–	–	–	33,389	–	33,389
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(169)	(169)
Shares purchased for Share Award Scheme		–	–	–	–	–	–	–	–	(10,751)	–	–	–	–	–	(10,751)	–	(10,751)
Recognition of equity-settled share based compensation: share award		–	–	–	–	–	–	–	–	–	886	–	–	–	–	886	–	886
Final dividend relating to 2010 for shares held for Share Award Scheme		–	–	–	–	–	–	–	–	–	–	–	–	149	–	149	–	149
Final dividend for 2010 paid		–	–	–	–	–	–	–	–	–	–	–	–	–	(29,886)	(29,886)	–	(29,886)
Balance at 31 December 2011		59,773	6,724*	33,389*	223*	(13,725)*	68,040*	27,798*	10,965*	(10,751)*	53,921*	(3,067)*	166,489*	2,107,884*	–	2,507,663	117,567	2,625,230

Merger reserve arose from the group reorganisation in 1992 and the business combinations under common control in respect of the acquisitions of certain fellow subsidiaries in 2007 and certain related companies ultimately controlled by the substantial shareholder of the Company in 2011.

The retained profits and exchange fluctuation reserve of the Group include HK$719,289,000 (2010: HK$669,547,000) and HK$1,787,000 (2010: HK$1,164,000), respectively, retained by associates of the Group.

Employee share-based compensation reserve comprises the share option reserve and the share award reserve.

* These reserve accounts and the shares held for Share Award Scheme comprise the consolidated reserves of HK$2,447,890,000 (2010 (restated): HK$2,116,026,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**314,377**	440,925
Adjustments for:			
Finance costs	7	**20,505**	28,837
Share of profits and losses of associates		**(186,992)**	(195,042)
Interest income	5	**(7,434)**	(327)
Loss/(gain) on disposal of items of property, plant and equipment	5	**241**	(1,754)
Gain on disposal of investment properties presented as non-current assets classified as held for sale		**(10,331)**	–
Write-back of other payables	5	**(2,888)**	(2,673)
Dividend income from listed investments	5	**(320)**	(405)
Loss on disposal of interests in an associate	5	**–**	26
Gain on disposal of available-for-sale financial assets	5	**(48)**	(77)
Fair value gain on investment properties inclusive of investment properties presented as non-current assets classified as held for sale		**(102,538)**	(142,567)
Fair value loss on financial assets at fair value through profit or loss		**14,535**	2,914
Fair value loss/(gain) on biological assets		**46,472**	(44,423)
Decrease in biological assets due to harvest	6	**307**	249
Equity-settled share award and option expenses	6	**1,358**	9,445
Impairment/(reversal of impairment) of advances to an associate	6	**496**	(376)
(Reversal of impairment)/impairment of trade receivables, net	6	**(350)**	5,464
Impairment of available-for-sale financial assets	5	**84**	36
(Reversal of provision)/provision for inventories, net	6	**(2,622)**	12,739
Write-back of provision for impairment of properties, plant and equipment	5	**(183)**	–
Write-off of other receivables	6	**–**	10,000
Write-off of properties, plant and equipment	6	**23**	112
Depreciation	6	**38,509**	39,408
Amortisation of prepaid land lease payments	6	**21,514**	17,446
		144,715	179,957
Decrease/(increase) in inventories		**41,005**	(86,566)
(Increase)/decrease in trade receivables		**(120,696)**	8,850
Increase in prepayments, deposits and other receivables		**(107,441)**	(12,730)
Decrease in amounts due from associates		**–**	8,943
Increase in trade and bills payables		**56,811**	5,499
(Decrease)/increase in other payables and accruals		**(13,176)**	80,696
Decrease in amounts due to non-controlling shareholders of subsidiaries, net		**(3,085)**	(4)
Decrease in amounts due to related companies		**–**	(501)
Decrease in amounts due from a related company		**–**	3,205
Severance payment paid		**(1,486)**	(974)
Cash (used in)/generated from operations		**(3,353)**	186,375
Hong Kong profits tax paid		**(20,116)**	(3,766)
PRC enterprise income tax paid		**(5,347)**	(4,480)
Net cash flows (used in)/ generated from operating activities		**(28,816)**	178,129

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	15	**(29,170)**	(44,025)
Additions to and prepayment for construction in progress		**(62,901)**	(22,994)
Additions to prepaid land lease payments		**(65,745)**	(33,814)
Additions to investment properties	16	**(2,275)**	–
Additions to biological assets		**(16,666)**	(24,844)
Purchases of financial assets at fair value through profit or loss		**(15,658)**	(6,251)
Dividends received from listed investments		**320**	147
(Advances to)/repayment from associates, net		**(496)**	376
Interest received		**7,434**	327
Proceeds from disposal of investment properties presented as non-current assets classified as held for sale		**137,721**	–
Proceeds from disposal of interests in an associate		**–**	118
Proceeds from disposal of available-for-sale financial assets		**296**	365
Proceeds from disposal of items of property, plant and equipment		**196**	2,242
Deposits paid for acquisition of leasehold interests in land		**–**	(22,490)
Consideration paid for common control combinations		**(67,335)**	–
Loan to a related company		**(78,000)**	–
Dividends income from an associate		**104,250**	–
Net cash used in investing activities		**(88,029)**	(150,843)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**707,769**	596,147
Repayment of bank loans		**(492,463)**	(603,367)
Loan from an associate		**140,724**	–
Repayment of amount due from an associate		**7,499**	–
Increase/(decrease) in trust receipt loans		**87,360**	(9,087)
Repayment of amounts due to directors		**(3,379)**	(35,030)
Interests paid		**(19,801)**	(28,560)
Dividends paid		**(29,886)**	(29,714)
Advances from vendors of the Acquired Businesses accounted for based on merger accounting		**25,539**	30,983
Contribution to South China Land Limited paid		**–**	(15,187)
Issue of shares upon exercise of warrants	40	**–**	6,977
Purchase of share held for Share Award Scheme		**(10,751)**	–
Net cash flows generated from/(used in) financing activities		**412,611**	(86,838)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**295,766**	(59,552)
Cash and cash equivalents at beginning of year		**128,112**	184,815
Effect of foreign exchange rate changes, net		**3,392**	2,849
CASH AND CASH EQUIVALENTS AT END OF YEAR		**427,270**	128,112
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the statement of financial position	32	**427,980**	136,358
Bank overdrafts	35	**(710)**	(8,246)
Cash and cash equivalents as stated in the statement of cash flows		**427,270**	128,112

Statement of Financial Position

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	20	**1,668,839**	1,657,752
CURRENT ASSETS			
Other receivables	27	**658**	578
Financial assets at fair value through profit or loss	31	**6,228**	–
Cash and bank balances	32	**3,465**	97
Total current assets		**10,351**	675
CURRENT LIABILITIES			
Short-term bank borrowings	35	**150,000**	–
Other payables	34	**1,694**	1,170
Total current liabilities		**151,694**	1,170
NET CURRENT LIABILITIES		**(141,343)**	(495)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,527,496**	1,657,257
NON-CURRENT LIABILITIES			
Due to subsidiaries	20	**1,377,828**	1,462,018
Other non-current liabilities	38	**472**	–
Total non-current liabilities		**1,378,300**	1,462,018
Net assets		**149,196**	195,239
EQUITY			
Issued capital	40	**59,773**	59,773
Reserves	42(b)	**89,423**	105,580
Proposed final dividends	12	**–**	29,886
Total equity		**149,196**	195,239

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

1. CORPORATE INFORMATION

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

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

2.1 COMMON CONTROL COMBINATIONS

During the year ended 31 December 2011, the Group acquired:

i) the entire interest in Thousand China Investments Limited ("Thousand China"); and

ii) the entire interest in Autowill Limited ("Autowill") and the shareholder's loan due to vendor immediately before the acquisition, and

iii) the entire interest in Surplus Access International Limited ("Surplus Access") and the shareholder's loan due to vendor immediately before the acquisition

(collectively the "Acquired Businesses") from companies ultimately controlled by the substantial shareholder of the Company at a consideration of HK$67.3 million in aggregate. Further details about the acquisition of interests in Thousand China, Autowill and Surplus Access have been set out in the announcements dated 11 January 2011 and 28 October 2011, respectively.

As the Company and the vendors are ultimately controlled by the aforesaid substantial shareholder, who is also a director of the Company, the acquisitions were regarded as business combinations under common control. To consistently apply the Group's accounting policy for common control combination, the acquisition of the Acquired Business have been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 *Merger Accounting for Common Control Combinations* ("AG 5") issued by the HKICPA as if the acquisitions had occurred on the date when the combining entities first came under the control of the substantial shareholder. Accordingly, the assets and liabilities acquired in the common control combinations are stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entities first came under the control of the substantial shareholder or the relevant transactions giving rise to the assets or liabilities arose.

2.1 COMMON CONTROL COMBINATIONS *(Continued)*

In accordance with AG 5, the comparative amounts of the financial statements of the Group have been restated to include the financial statement items of the Acquired Businesses. The effect of the acquisitions on and, hence, the items so restated in the comparative financial statements are summarized below:

(a) Effect on the consolidated statement of financial position as at 31 December 2010

	As previously reported HK$'000	Acquisition of Thousand China HK$'000	Acquisition of Autowill HK$'000	Acquisition of Surplus Access HK$'000	Total HK$'000	Consolidation adjustments HK$'000	As restated HK$'000
NON-CURRENT ASSETS							
Property, plant and equipment	246,951	1,464	399	–	248,814	–	248,814
Prepaid land lease payments	42,000	17,726	4,645	–	64,371	–	64,371
Biological assets	160,471	1,264	–	–	161,735	–	161,735
Others*	2,256,233	–	–	–	2,256,233	–	2,256,233
Total non-current assets	2,705,655	20,454	5,044	–	2,731,153	–	2,731,153
CURRENT ASSETS							
Prepayments, deposits and other receivables	83,738	2,989	449	117	87,293	–	87,293
Cash and bank balances	118,741	7,081	10,536	–	136,358	–	136,358
Others*	995,087	–	–	–	995,087	–	995,087
Total current assets	1,197,566	10,070	10,985	117	1,218,738	–	1,218,738
CURRENT LIABILITIES							
Other payables and accruals	346,442	935	317	–	347,694	–	347,694
Due to affiliates	3,379	33,504	17,266	–	54,149	(17,266)	36,883
Others*	815,535	–	–	–	815,535	–	815,535
Total current liabilities	1,165,356	34,439	17,583	–	1,217,378	(17,266)	1,200,112
NET CURRENT ASSETS/ (LIABILITIES)	32,210	(24,369)	(6,598)	117	1,360	17,266	18,626
TOTAL ASSETS LESS CURRENT LIABILITIES	2,737,865	(3,915)	(1,554)	117	2,732,513	17,266	2,749,779
NON-CURRENT LIABILITIES							
Deemed consideration for acquisition of subsidiaries under merger accounting	–	–	–	–	–	41,796	41,796
Others*	404,577	–	–	–	404,577	–	404,577
Total non-current liabilities	404,577	–	–	–	404,577	41,796	446,373
Net assets/(liabilities)	2,333,288	(3,915)	(1,554)	117	2,327,936	(24,530)	2,303,406
EQUITY							
Exchange fluctuation reserve	120,007	508	999	272	121,786	–	121,786
Retained profits/(accumulated losses)	1,852,828	(4,423)	(2,553)	(155)	1,845,697	–	1,845,697
Merger reserve	10,805	–	–	–	10,805	(24,530)	(13,725)
Others*	349,648	–	–	–	349,648	–	349,648
Total equity/(deficiency in assets)	2,333,288	(3,915)	(1,554)	117	2,327,936	(24,530)	2,303,406

2.1 COMMON CONTROL COMBINATIONS *(Continued)*

(b) Effect on the consolidated statement of financial position as at 1 January 2010

	As previously reported HK$'000	Acquisition of Thousand China HK$'000	Acquisition of Autowill HK$'000	Acquisition of Surplus Access HK$'000	Total HK$'000	Consolidation adjustments HK$'000	As restated HK$'000
NON-CURRENT ASSETS							
Property, plant and equipment	234,504	2,099	40	–	236,643	–	236,643
Prepaid land lease payments	42,484	9,680	–	–	52,164	–	52,164
Others*	2,043,643	–	–	–	2,043,643	–	2,043,643
Total non-current assets	2,320,631	11,779	40	–	2,332,450	–	2,332,450
CURRENT ASSETS							
Prepayments, deposits and other receivables	74,613	387	12	66	75,078	–	75,078
Cash and bank balances	174,907	2,131	7,777	–	184,815	–	184,815
Others*	815,591	–	–	–	815,591	–	815,591
Total current assets	1,065,111	2,518	7,789	66	1,075,484	–	1,075,484
CURRENT LIABILITIES							
Trade and bills payables	288,384	6	–	–	288,390	–	288,390
Other payables and accruals	258,674	3,210	–	91	261,975	–	261,975
Due to affiliates	15,688	11,738	8,049	–	35,475	(8,049)	27,426
Others*	518,819	–	–	–	518,819	–	518,819
Total current liabilities	1,081,565	14,954	8,049	91	1,104,659	(8,049)	1,096,610
NET CURRENT ASSETS/(LIABILITIES)	(16,454)	(12,436)	(260)	(25)	(29,175)	8,049	(21,126)
TOTAL ASSETS LESS CURRENT LIABILITIES	2,304,177	(657)	(220)	(25)	2,303,275	8,049	2,311,324
NON-CURRENT LIABILITIES							
Deemed consideration for acquisition of subsidiaries under merger accounting	–	–	–	–	–	32,579	32,579
Others*	426,167	–	–	–	426,167	–	426,167
Total non-current liabilities	426,167	–	–	–	426,167	32,579	458,746
Net assets/(liabilities)	1,878,010	(657)	(220)	(25)	1,877,108	(24,530)	1,852,578
EQUITY							
Exchange fluctuation reserve	87,355	63	(14)	56	87,460	–	87,460
Retained profits/(accumulated losses)	1,471,069	(720)	(206)	(81)	1,470,062	–	1,470,062
Merger reserve	10,805	–	–	–	10,805	(24,530)	(13,725)
Others*	308,781	–	–	–	308,781	–	308,781
Total equity/(deficiency in assets)	1,878,010	(657)	(220)	(25)	1,877,108	(24,530)	1,852,578

2.1 COMMON CONTROL COMBINATIONS *(Continued)*

(c) Effect on consolidated income statement for the year ended 31 December 2010

	As previously reported HK$'000	Acquisition of Thousand China HK$'000	Acquisition of Autowill HK$'000	Acquisition of Surplus Access HK$'000	As restated HK$'000
Other income and gains, net	29,097	544	832	–	30,473
Administrative expenses	(292,165)	(4,247)	(3,179)	(74)	(299,665)
Others*	687,421	–	–	–	687,421
Profit/(loss) for the year	424,353	(3,703)	(2,347)	(74)	418,229
Attributable to:					
Owners of the Company	412,778	(3,703)	(2,347)	(74)	406,654
Non-controlling interests	11,575	–	–	–	11,575
	424,353	(3,703)	(2,347)	(74)	418,229

* Being aggregate of items not being affected by the common control combinations and, hence, not being restated.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties inclusive of investment properties presented as non-current assets classified as held for sale, available-for-sale financial assets, financial assets at fair value through profit or loss and financial liability in respect of the shares other than the shares in the Company awarded under the Share Award Scheme, 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 presented 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.

Acquisitions of businesses under common control are accounted for using merger accounting in accordance with AG 5 issued by the HKICPA. The assets and liabilities acquired are stated at carrying amounts as if such assets or liabilities had been held or incurred by the Group from the later of the date of the relevant transactions giving rise to such assets or liabilities and the beginning of the earliest period presented.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

2.2 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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.

2.3 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 Amendment	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 47 to the consolidated financial statements.

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

(b) Improvements to HKFRSs 2010

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.

  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.

2.4 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.

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.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

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.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

2.5 SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

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

Associates

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

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

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

An assessment is made at 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

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(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).

Property, plant and equipment and depreciation

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

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

Investment properties

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

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

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

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

Biological assets

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

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

Agricultural produce

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

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

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

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

2.5 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 finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

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

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus 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, loans receivable, quoted and unquoted financial instruments.

Subsequent measurement

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

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. 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 asset 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 loan and other expenses for receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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 investment 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 be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial assets 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.

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial assets (Continued)

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

Derecognition of financial assets

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

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

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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.

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

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

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

Assets carried at cost

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

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial assets

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis and other valuation models.

Inventories

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

Cash and cash equivalents

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

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

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

Revenue recognition

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

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

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

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

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

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

Employee benefits

Pension schemes

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

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Pension schemes (Continued)

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

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

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

Share-based payment transactions

(i) *Share option scheme and share award scheme*

The Company operates a share option scheme and a share award 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 of the Company's own equity instruments after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value of share options and awarded shares granted to employees in an equity-settled share based payment transaction is recognised as an employment cost with a corresponding increase in the employee share-based compensation reserve within equity. In respect of share options, the fair value is measured at grant date using a trinomial model, taking into account the terms and conditions upon which the options were granted (further details of which being set out in note 41 to the financial statements). In respect of awarded shares, the fair value is based on the closing price at the grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options and awarded shares, the total estimated fair value of the share options and awarded shares is spread over the vesting period, taking into account the probability that the share options and awarded shares will vest. Where awarded shares are not the shares in the Company or its group entity, the grant of such shares does not constitute a share-based payment arrangement, and is accounted for as a financial liability.

During the vesting period, the number of share options and awarded shares that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the year of the review with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options and awarded shares that are vested (with a corresponding adjustment to the employee share-based compensation reserve).

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.

The equity amount for the share options is recognised in the employee share-based compensation reserve until either the option is exercised (whereupon it is transferred to the share premium account) or the option expires (whereupon it is released directly to retained profits).

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions (Continued)

(ii) *Shares held for Share Award Scheme*

Where the shares of the Company are acquired under the Share Award Scheme, the consideration paid, including any directly attributable incremental costs, is presented as "shares held for Share Award Scheme" and deducted from total equity.

When the awarded shares are transferred to the awardees upon vesting, the related weighted average cost of the awarded shares vested are credited to "shares held for Share Award Scheme" and the related employment costs of the awarded shares vested are debited to the employee share-based compensation reserve. The difference between the related weighted average cost and the related employment costs of the awarded shares is transferred to retained profits.

Where the shares held for Share Award Scheme are revoked and the revoked shares are disposed of, the related gain or loss from disposal of revoked shares is transferred to retained profits and not recognised in the income statement.

Where cash or non-cash dividend distribution is declared in respect of the shares held for Share Award Scheme, such cash dividend or fair value of the non-cash dividend is transferred to retained profits with no gain or loss recognised in the income statement.

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends and distributions

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions 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.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

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

Judgements *(Continued)*

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of non-financial assets (other than goodwill)

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

Impairment of trade receivables

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

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale financial assets and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. For the year ended 31 December 2011, impairment losses of HK$84,000 have been recognised for available-for-sale financial assets (2010: HK$36,000).

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

Estimation uncertainty *(Continued)*

Income taxes

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There was no deferred tax asset in respect of tax losses at 31 December 2011 (2010: Nil). The amount of unrecognised tax losses at 31 December 2011 was HK$509,234,000 (2010 (restated): HK$507,089,000).

4. OPERATING SEGMENT INFORMATION

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

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

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

(c) the agriculture and forestry segment is engaged in the cultivation of fruit trees, rearing of livestocks and aquatic products, forestation and sale of relevant agricultural products; and

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, profit and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2011 and 2010.

Group

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000 (Restated)	**2011 HK$'000**	2010 HK$'000 (Restated)	**2011 HK$'000**	2010 HK$'000 (Restated)
Segment revenue										
External sales	**2,955,338**	2,578,559	**107,535**	57,960	**35,117**	12,154	**–**	–	**3,097,990**	2,648,673
Segment profit/(loss) from operations	**138,217**	144,789	**156,552**	166,626	**(80,921)**	27,801	**(65,462)**	(64,872)	**148,386**	274,344
Share of profits and losses of associates	**992**	2,140	**186,000**	192,902	**–**	–	**–**	–	**186,992**	195,042
(Impairment)/reversal of impairment of advances to an associate, net	**(496)**	376	**–**	–	**–**	–	**–**	–	**(496)**	376
Finance costs									**(20,505)**	(28,837)
Profit before tax									**314,377**	440,925
Segment assets	**1,269,131**	951,690	**2,253,444**	1,980,028	**268,997**	256,100	**171,967**	95,892	**3,963,539**	3,283,710
Investments in associates	**14,278**	12,663	**733,271**	651,521	**–**	–	**–**	–	**747,549**	664,184
Tax recoverable									**14,530**	1,997
Total assets									**4,725,618**	3,949,891
Segment liabilities	**1,123,303**	930,001	**362,996**	159,553	**11,781**	84,806	**286,171**	191,929	**1,784,251**	1,366,289
Tax payable									**40,860**	31,480
Deferred tax liabilities									**275,277**	248,716
Total liabilities									**2,100,388**	1,646,485

4. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group *(Continued)*

	Notes	Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
		2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
		HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Other segment information:											
Capital expenditures		**90,343**	80,294	**4,266**	5,928	**82,113**	61,751	**35**	194	**176,757**	148,167
Depreciation and amortisation		**34,803**	37,136	**2,397**	1,306	**22,657**	18,230	**166**	182	**60,023**	56,854
(Reversal of provision)/provision for inventories	6	**(3,290)**	12,739	**–**	–	**668**	–	**–**	–	**(2,622)**	12,739
(Reversal of impairment)/ impairment of trade receivables, net	6 & 26	**(350)**	5,464	**–**	–	**–**	–	**–**	–	**(350)**	5,464
Write-off of other receivables	6	**–**	–	**–**	–	**–**	–	**–**	10,000	**–**	10,000

Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments, construction in progress, available-for-sale financial assets, biological assets and deposits and amounts prepaid for the above.

(b) Geographical segments

Revenue from external customers

	2011	2010
	HK$'000	HK$'000
The People's Republic of China ("PRC") including Hong Kong and Macau	**278,096**	181,048
The United States of America	**1,645,104**	1,544,160
Europe	**650,314**	520,615
Japan	**63,550**	33,047
Others	**460,926**	369,803
	3,097,990	2,648,673

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical segments *(Continued)*

Non-current assets

	2011	2010
	HK$'000	HK$'000
		(Restated)
Hong Kong	**377,425**	325,316
Other regions in Mainland China	**1,865,258**	1,688,221
	2,242,683	2,013,537

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

Information about major customers with revenue derived from whom amounts to 10% of the Group's revenue or above

Revenue of approximately HK$1,426 million was derived from sales by trading and manufacturing segment to a major customer.

In 2010, revenues of approximately HK$1,038 million and HK$280 million were derived from sales by trading and manufacturing segment to two major customers.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	2011 HK$'000	2010 HK$'000 (Restated)
Revenue		
Sale of merchandise from manufacturing and trading businesses	**2,955,338**	2,578,559
Rental income	**107,535**	57,960
Sale of agricultural produce	**35,117**	12,154
	3,097,990	2,648,673
Other income		
Dividend income from listed investments	**320**	405
Bank interest income	**478**	270
Interest income from an associate (note 47)	**86**	57
Interest income from a related company (note 47)	**3,120**	–
Other interest income	**3,750**	–
Others	**17,333**	21,323
	25,087	22,055
Gains		
Write-back of other payables	**2,888**	2,673
(Loss)/gain on disposal of items of property, plant and equipment	**(241)**	1,754
Write-back of provision for impairment of property, plant and equipment	**183**	–
Reversal of impairment of trade receivables (note 26)	**350**	535
Write-back of trade receivables written off in prior year	**–**	3,441
Gain on disposal of available-for-sale financial assets	**48**	77
Loss on disposal of interests in an associate	**–**	(26)
Impairment of available-for-sale financial assets (note 22)	**(84)**	(36)
Others	**59**	–
	3,203	8,418
	28,290	30,473

6. PROFIT BEFORE TAX

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

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Cost of inventories sold		**2,669,334**	2,227,789
Depreciation	15	**38,509**	39,408
Auditors' remuneration		**2,300**	2,170
Employee benefits expense (including directors' remuneration (note 8)):			
Pension scheme contributions		**58,066**	43,209
Less: Forfeited contributions		**–**	–
Net pension scheme contributions*		**58,066**	43,209
Equity-settled share award and option expenses		**1,358**	9,445
Salaries, wages and other benefits		**875,135**	764,149
		934,559	816,803
Decrease in biological assets due to harvest	14	**307**	249
Operating leases rental in respect of land and buildings		**25,946**	21,501
Gross rental income from investment properties and non-current assets held for sale		**(107,535)**	(57,960)
Less: Direct operating expenses		**17,946**	9,039
Net rental income		**(89,589)**	(48,921)
(Reversal of impairment)/impairment of trade receivables, net	26	**(350)**	5,464
Amortisation of prepaid land lease payments	17	**21,514**	17,446
(Reversal of provision)/provision for inventories, net**		**(2,622)**	12,739
Impairment/(reversal of impairment) of advances to an associate	21	**496**	(376)
Write-off of other receivables***		**–**	10,000
Write-off of properties, plant and equipment		**23**	112
Exchange loss, net		**4,675**	4,742

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

** The amount (included in cost of sales) represents the net credit/charge recognised in respect of write-back of provision/provision against inventories to write down the inventories at their estimated net realisable values.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable:		
Within five years	**18,466**	28,382
Over five years	**435**	446
Interest on advances from affiliates:		
– an associate (note 47)	**1,599**	–
– a related company (note 47)	**5**	9
	20,505	28,837

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	**315**	315
Other emoluments:		
Salaries, allowances and benefits in kind	**3,024**	2,433
Discretionary bonuses	**710**	11,166
Pension scheme contributions	**101**	89
Equity-settled share option expense	**–**	2,314
	3,835	16,002
	4,150	16,317

In prior years, certain directors were granted share options under the share option scheme of the Company for their services to the Group. Further details of the share option scheme are set out in note 41 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount recognised in the financial statements attributable to the directors is included in the above directors' remuneration disclosures.

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. Chiu Sin Chun	75	75
Mrs. Tse Wong Siu Yin, Elizabeth	75	75
Ms. Li Yuen Yu, Alice	75	75
	225	225

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

(b) Executive directors and non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2011					
Executive directors:					
Mr. Ng Hung Sang	10	–	–	–	10
Ms. Cheung Choi Ngor	10	1,800	710	89	2,609
Mr. Richard Howard Gorges	10	–	–	–	10
Mr. Ng Yuk Fung, Peter	10	1,224	–	12	1,246
	40	3,024	710	101	3,875
Non-executive director:					
Ms. Ng Yuk Mui, Jessica	50	–	–	–	50
	90	3,024	710	101	3,925

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive director *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Equity-settled share option expense HK$'000	Total remuneration HK$'000
2010						
Executive directors:						
Mr. Ng Hung Sang	10	144	–	7	–	161
Ms. Cheung Choi Ngor	10	1,265	6,046	63	1,157	8,541
Mr. Richard Howard Gorges	10	144	5,000	7	–	5,161
Mr. Ng Yuk Fung, Peter	10	880	120	12	1,157	2,179
	40	2,433	11,166	89	2,314	16,042
Non-executive director:						
Ms. Ng Yuk Mui, Jessica	50	–	–	–	–	50
	90	2,433	11,166	89	2,314	16,092

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

	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	**8,265**	6,257
Discretionary bonuses	**7,341**	4,405
Pension scheme contributions	**113**	96
Share awards	**115**	–
	15,834	10,758

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

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

	Number of employees	
	2011	2010
HK$1,500,001 to HK$2,000,000	**2**	1
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1
HK$5,000,001 to HK$5,500,000	**–**	1
HK$8,500,001 to HK$9,000,000	**1**	–
	4	3

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 respective countries/jurisdictions in which the Group operates.

	2011	2010
	HK$'000	HK$'000
Group:		
Current – Hong Kong		
Charge for the year	**6,668**	7,563
(Over)/under-provision in prior years	**(474)**	248
Current – Mainland China		
Charge for the year	**15,273**	5,722
(Over)/under-provision in prior years	**(243)**	359
Deferred tax (note 39)	**15,452**	8,804
Total tax charge for the year	**36,676**	22,696

10. INCOME TAX *(Continued)*

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

	Group	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Profit before tax	**314,377**	440,925
Tax at the Hong Kong profits tax rate of 16.5% (2010: 16.5%)	**51,872**	72,753
Effect of different tax rates of subsidiaries operating in Mainland China and Taiwan	**3,149**	9,227
Profits and losses attributable to associates	**(30,938)**	(32,546)
Expenses not deductible for tax	**22,802**	19,396
Income not subject to tax	**(27,920)**	(53,039)
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries in the PRC	**128**	151
Adjustments for current tax in respect of prior year provision	**(717)**	607
Reversal of deferred tax liabilities upon transfer of investment properties to non-current assets classified as held for sale	**–**	(3,868)
Tax losses utilised from previous periods	**(684)**	(1,501)
Tax losses not recognised	**18,906**	11,516
Others	**78**	–
Total tax charge for the year	**36,676**	22,696

The share of tax charge attributable to associates amounting to HK$43,877,000 (2010: HK$38,847,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a loss of HK$6,440,000 (2010: loss of HK$20,040,000) which has been dealt with in the financial statements of the Company (note 42(b)).

12. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Proposed final (2010: HK1.00 cent per ordinary share)	**–**	29,886

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$262,038,000 (2010 (restated): HK$406,654,000), and the weighted average number of 2,977,104,000 (2010: 2,977,623,000) ordinary shares in issue less shares held for Share Award Scheme during the year.

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

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

	2011 HK$'000	2010 HK$'000 (Restated)
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	**262,038**	406,654

	Number of shares 2011 '000	 2010 '000
Shares		
Weighted average number of ordinary shares in issue during the year	**2,988,637**	2,977,623
Less:		
Weighted average number of shares held for Share Award Scheme	**(11,533)**	–
Weighted average number of ordinary shares used in the basic earnings per share calculation	**2,977,104**	2,977,623
Effect of dilution – weighted average number of ordinary shares:		
Warrants	**–**	38,503
	2,977,104	3,016,126

The Company's share options have no dilution effect for the years ended 31 December 2011 and 2010 because the exercise prices of the Company's share options were higher than the average market prices of the shares for both years.

14. BIOLOGICAL ASSETS

	Group 2011 HK$'000	2010 HK$'000 (Restated)
Lychee trees:		
Carrying amount at 1 January	**24,118**	49,950
Additions	**–**	–
Loss arising from changes in fair value less estimated point-of-sale costs	**(8,545)**	(26,443)
Decrease due to harvest	**(146)**	(238)
Exchange realignment	**965**	849
Carrying amount at 31 December	**16,392**	24,118
Longan trees:		
Carrying amount at 1 January	**8,235**	17,140
Loss arising from changes in fair value less estimated point-of-sale costs	**(3,259)**	(9,190)
Decrease due to harvest	**–**	(5)
Exchange realignment	**323**	290
Carrying amount at 31 December	**5,299**	8,235
Winter date trees:		
Carrying amount at 1 January	**35,176**	21,900
Additions	**5,084**	867
Gain arising from changes in fair value less estimated point-of-sale costs	**2,093**	11,343
Decrease due to harvest	**(131)**	(6)
Exchange realignment	**1,821**	1,072
Carrying amount at 31 December	**44,043**	35,176
Apple trees:		
Carrying amount at 1 January	**46,000**	–
Additions	**16,513**	13,374
(Loss)/gain arising from changes in fair value less estimated point-of-sale costs	**(11,919)**	31,876
Exchange realignment	**2,285**	750
Carrying amount at 31 December	**52,879**	46,000
Others:		
Carrying amount at 1 January		
As previously reported	**46,942**	–
Adjusted for the acquisition of subsidiaries under merger accounting	**1,264**	–
As restated	**48,206**	–
Additions (restated)	**12,321**	10,603
(Loss)/gain arising from changes in fair value less estimated point-of-sale costs	**(24,842)**	36,837
Decrease due to harvest	**(30)**	–
Exchange realignment	**1,357**	766
Carrying amount at 31 December	**37,012**	48,206
Total carrying amount at 31 December	**155,625**	161,735

14. BIOLOGICAL ASSETS *(Continued)*

Quantities of fruit trees:

	Group	
	2011 Number of trees ’000	2010 Number of trees ’000 (Restated)
Lychee trees	**217**	217
Longan trees	**94**	94
Winter date trees	**366**	977
Apple trees	**622**	649
Others	**1,899**	1,527
	3,198	3,464

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

	Group	
	2011 HK$’000	2010 HK$’000
Fair value less estimated point-of-sale costs:		
Lychee	**146**	238
Longan	**–**	5
Winter date	**131**	6
Others	**30**	–
	307	249
	Tons	Tons
Saleable output:		
Lychee fruits	**30**	44
Longan fruits	**–**	1
Winter date fruits	**25**	4
Others	**19**	–
	74	49

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

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

(b) the expected prices of lychee, longan, winter date, apple and other fruits are based on the past actual average district prices; and

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

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Furniture and leasehold improvements HK$'000	Machinery and equipment HK$'000	Moulds and tools HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
31 December 2011						
At 31 December 2010 and at 1 January 2011:						
As previously reported:						
Cost or valuation	236,434	237,039	268,357	15,597	25,506	782,933
Accumulated depreciation and impairment	(90,825)	(204,227)	(209,804)	(10,032)	(21,094)	(535,982)
Net carrying amount	145,609	32,812	58,553	5,565	4,412	246,951
Adjusted for the acquisition of subsidiaries under merger accounting:						
Cost	–	770	378	–	2,758	3,906
Accumulated depreciation	–	(335)	(146)	–	(1,562)	(2,043)
As restated:						
Cost or valuation	236,434	237,809	268,735	15,597	28,264	786,839
Accumulated depreciation and impairment	(90,825)	(204,562)	(209,950)	(10,032)	(22,656)	(538,025)
Net carrying amount	145,609	33,247	58,785	5,565	5,608	248,814
At 1 January 2011, net of accumulated depreciation and impairment (restated)	145,609	33,247	58,785	5,565	5,608	248,814
Exchange realignment	1,231	204	1,490	–	188	3,113
Additions	39	19,045	7,132	1,061	1,893	29,170
Disposals/write-offs	–	(409)	(3)	–	(48)	(460)
Write-back of impairment	–	183	–	–	–	183
Transfer from construction in progress (note 18)	20,357	–	–	–	–	20,357
Transfer to investment properties, net (note 16)	(57,795)	–	–	–	–	(57,795)
Depreciation provided during the year (note 6)	(9,546)	(12,459)	(12,640)	(1,692)	(2,172)	(38,509)
Surplus on revaluation	9,144	–	–	–	–	9,144
At 31 December 2011, net of accumulated depreciation and impairment	109,039	39,811	54,764	4,934	5,469	214,017
At 31 December 2011:						
Cost or valuation	205,444	254,187	278,673	16,659	30,174	785,137
Accumulated depreciation and impairment	(96,405)	(214,376)	(223,909)	(11,725)	(24,705)	(571,120)
Net carrying amount	109,039	39,811	54,764	4,934	5,469	214,017
Analysis of cost or valuation:						
At cost	157,935	254,187	278,673	16,659	30,174	737,628
At 31 December 1988 valuation	31,112	–	–	–	–	31,112
At 31 December 1989 valuation	5,220	–	–	–	–	5,220
At 31 December 1992 valuation	204	–	–	–	–	204
At 31 December 1994 valuation	10,973	–	–	–	–	10,973
	205,444	254,187	278,673	16,659	30,174	785,137

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

Group *(Continued)*

	Leasehold land and buildings HK$'000	Furniture and leasehold improvements HK$'000 (Restated)	Machinery and equipment HK$'000 (Restated)	Moulds and tools HK$'000	Motor vehicles and vessels HK$'000 (Restated)	Total HK$'000 (Restated)
31 December 2010						
At 1 January 2010:						
As previously reported:						
Cost or valuation	228,643	229,231	245,640	11,985	25,218	740,717
Accumulated depreciation and impairment	(78,589)	(196,192)	(203,628)	(8,698)	(19,106)	(506,213)
Net carrying amount	150,054	33,039	42,012	3,287	6,112	234,504
Adjusted for the acquisition of subsidiaries under merger accounting:						
Cost	–	582	313	–	2,608	3,503
Accumulated depreciation	–	(181)	(66)	–	(1,117)	(1,364)
As restated:						
Cost or valuation	228,643	229,813	245,953	11,985	27,826	744,220
Accumulated depreciation and impairment	(78,589)	(196,373)	(203,694)	(8,698)	(20,223)	(507,577)
Net carrying amount	150,054	33,440	42,259	3,287	7,603	236,643
At 1 January 2010, net of accumulated depreciation and impairment	150,054	33,440	42,259	3,287	7,603	236,643
Exchange realignment	1,942	264	1,079	–	163	3,448
Additions	31	11,382	27,994	3,612	1,006	44,025
Disposals/write-offs	–	(7)	(10)	–	(583)	(600)
Transfer from investment properties, net (note 16)	4,706	–	–	–	–	4,706
Depreciation provided during the year (note 6)	(11,124)	(11,832)	(12,537)	(1,334)	(2,581)	(39,408)
At 31 December 2010, net of accumulated depreciation and impairment	145,609	33,247	58,785	5,565	5,608	248,814
At 31 December 2010:						
As restated:						
Cost or valuation	236,434	237,809	268,735	15,597	28,264	786,839
Accumulated depreciation and impairment	(90,825)	(204,562)	(209,950)	(10,032)	(22,656)	(538,025)
Net carrying amount	145,609	33,247	58,785	5,565	5,608	248,814
Analysis of cost or valuation:						
At cost	188,925	237,809	268,735	15,597	28,264	739,330
At 31 December 1988 valuation	31,112	–	–	–	–	31,112
At 31 December 1989 valuation	5,220	–	–	–	–	5,220
At 31 December 1992 valuation	204	–	–	–	–	204
At 31 December 1994 valuation	10,973	–	–	–	–	10,973
	236,434	237,809	268,735	15,597	28,264	786,839

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

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

	Group	
	2011	2010
	HK$'000	HK$'000
Leasehold land and buildings in Hong Kong:		
Long term leases	**20,036**	22,119
Medium term leases	**14,380**	14,757
	34,416	36,876
Buildings in Mainland China	**74,623**	108,733
	109,039	145,609

The Group was in the process of applying the land use right certificates for certain leasehold land in Mainland China on which buildings erected amounting to approximately HK$34,324,000 as at 31 December 2011, (2010: HK$35,607,000). The directors do not expect any legal obstacle in obtaining the relevant title certificates.

During the year, the Group has transferred certain leasehold land and buildings to investment properties at fair value of HK$57,795,000 (2010: transferred certain investment properties to leasehold land and buildings at fair value of HK$4,706,000).

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

Had land and buildings been carried at cost less accumulated depreciation and impairment losses, the net book value of the Group's land and buildings at 31 December 2011 would have been approximately HK$87,759,000 (2010: HK$86,145,000).

At 31 December 2011, certain of the Group's leasehold land and buildings (including their corresponding prepaid land lease payments) with a net book value of approximately HK$88,584,000 (2010: HK$88,707,000) were pledged to secure banking facilities granted to the Group (note 35).

16. INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**1,445,134**	1,396,616
Transfer from/(to) leasehold land and buildings, net (note 15)	**57,795**	(4,706)
Transfer from prepaid land lease payments (note 17)	**9,295**	–
Transfer from construction in progress (note 18)	**763**	–
Transfer to non-current assets classified as held for sale, at fair value (note 24)	**–**	(64,800)
Additions	**2,275**	–
Fair value gain	**78,051**	79,401
Exchange realignment	**55,080**	38,623
Carrying amount at 31 December	**1,648,393**	1,445,134

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

	Group	
	2011	2010
	HK$'000	HK$'000
Hong Kong:		
Long term leases	**222,500**	189,960
Medium term leases	**94,730**	78,850
	317,230	268,810
Mainland China:		
Medium term leases	**1,331,163**	1,176,324
	1,648,393	1,445,134

During the year ended 31 December 2011, there was no transfer of investment properties to non-current assets classified as held for sale. Certain investment properties of the Group were revalued on 31 December 2010 by BMI Appraisals Limited, independent professionally qualified valuers, at HK$64,800,000 on an open market, existing use basis upon transfer to non-current assets classified as held for sale (note 24).

The Group's investment properties were revalued on 31 December 2011 by BMI Appraisals Limited, independent professionally qualified valuers, at HK$1,648,393,000 on an open market, existing use basis. The investment properties are leased or available for lease to third parties under operating leases. Details about such operating lease arrangements are included in note 45(a) to the financial statements.

At 31 December 2011, the Group's investment properties with aggregate value of HK$382,330,000 (2010: HK$327,910,000) were pledged and mortgaged to secure general banking facilities granted to the Group (note 35).

16. INVESTMENT PROPERTIES *(Continued)*

The Group was in the process of applying the land use rights certificates in respect of certain investment properties of the Group located in Mainland China amounting to approximately HK$1,123,740,000 at 31 December 2011 (2010: HK$1,044,033,000). The directors do not expect any legal obstacle in obtaining the relevant title certificates.

Further particulars of the Group's investment properties are included on pages 115 to 119.

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Carrying amount at 1 January		
As previously reported	**55,555**	50,431
Adjusted for the acquisition of subsidiaries under merger accounting	**22,583**	9,815
As restated	**78,138**	60,246
Exchange realignment	**3,115**	1,524
Additions	**84,633**	33,814
Surplus on revaluation upon transfer to investment properties	**458**	–
Transfer to investment properties (note 16)	**(9,295)**	–
Amortised during the year (note 6)	**(21,514)**	(17,446)
Capitalised as biological assets	**(17,252)**	–
Carrying amount at 31 December	**118,283**	78,138
Current portion included in prepayments, deposits and other receivables	**(28,283)**	(13,767)
Non-current portion	**90,000**	64,371

The Group's leasehold lands are situated in Mainland China, and are held under the following lease terms:

	Group	
	2011	2010
	HK$'000	HK$'000
Long term leases	**23,204**	17,940
Medium term leases	**95,079**	60,198
	118,283	78,138

18. CONSTRUCTION IN PROGRESS

	Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**51,256**	27,597
Exchange realignment	**1,633**	665
Additions	**52,942**	22,994
Transfer to property, plant and equipment (note 15)	**(20,357)**	–
Transfer to investment properties (note 16)	**(763)**	–
Carrying amount at 31 December	**84,711**	51,256

19. GOODWILL

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January:		
Cost	**6,571**	6,511
Accumulated impairment	**(3,500)**	(3,500)
Net carrying amount	**3,071**	3,011
Carrying amount at 1 January	**3,071**	3,011
Exchange realignment	**81**	60
At 31 December	**3,152**	3,071
At 31 December:		
Cost	**6,652**	6,571
Accumulated impairment	**(3,500)**	(3,500)
Net carrying amount	**3,152**	3,071

The amount of goodwill arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001 remained in the consolidated reserves was HK$3,067,000 (2010: HK$3,067,000) as at 31 December 2011.

Impairment testing of goodwill

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

- Property investment and development cash-generating unit; and
- Toy manufacturing and trading cash-generating unit;

Property investment and development cash-generating unit

The recoverable amount of the property investment and development cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 13.0% (2010: 13.5%). Cash flows beyond the five-year period are extrapolated using a growth rate of 3.0% (2010: 3.0%) which is estimated on the basis of the long term average growth rate of the property investment and development industry.

19. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Toy manufacturing and trading cash-generating unit

The recoverable amount of the toy manufacturing and trading cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 10.0% (2010: 12.0%). Cash flows beyond the five-year period are extrapolated using a growth rate of 2.5% (2010: 2.5%) which is estimated on the basis of the long term average growth rate of the toy manufacturing and trading industry.

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

	Group	
	2011	2010
	HK$'000	HK$'000
Cash-generating unit:		
Property investment and development	**1,778**	1,697
Toy manufacturing and trading	**1,374**	1,374
	3,152	3,071

Key assumptions were used in the value-in-use calculation of the property investment and development and toy manufacturing and trading cash-generating units for the years ended 31 December 2011 and 31 December 2010. The following describes each key assumption on which management has based to undertake impairment testing of goodwill by using the cash flow projections:

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

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

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

20. INTERESTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**234,018**	234,018
Capital contribution to Share Award Trust (note)	**886**	–
	234,904	234,018
Due from subsidiaries	**1,433,935**	1,423,734
	1,668,839	1,657,752

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

20. INTERESTS IN SUBSIDIARIES *(Continued)*

(note) The Company has set up a trust for the purpose of administering the SCC Employees' Share Award Scheme established by the Company in 2011. In accordance with HK(SIC), Int 12, the Company is required to consolidate the trust as the Company has the power to govern the financial and operating policies of the trust and can derive benefits from the contributions of employees who have been awarded the Awarded Shares through their employment with the Group.

The amounts due to subsidiaries included in the Company's non-current liabilities of HK$1,377,828,000 (2010: HK$1,462,018,000) are unsecured, interest-free, and are not repayable within twelve months from the end of the reporting period.

Details of the principal subsidiaries are set out in note 54 to the financial statements.

21. INVESTMENTS IN ASSOCIATES

	Group	
	2011	2010
	HK$'000	HK$'000
Share of net assets:		
Unlisted associates	**731,237**	647,872
Advances to associates	**57,699**	57,203
Provision for impairment#	**(41,387)**	(40,891)
	16,312	16,312
	747,549	664,184

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

The Group has given a guarantee in an amount of HK$579,600,000 (2010: HK$396,000,000) to secure banking facilities granted to Firm Wise Investment Limited ("FWIL") of which HK$566,100,000 was utilised as at 31 December 2011 (2010: HK$343,350,000). The banking facilities are due to be mature in November 2012. The guarantees given were used on refinancing an investment property in Hong Kong.

21. INVESTMENTS IN ASSOCIATES *(Continued)*

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

		Group	
		2011	2010
	Note	**HK$'000**	HK$'000
At 1 January		**40,891**	41,267
Impairment loss recognised/ (reversal of provision for impairment)	6	**496**	(376)
At 31 December		**41,387**	40,891

Except for the amount due to an associate of HK$140,724,000 as at 31 December 2011 (2010: amount due from an associate HK$7,499,000) which carries interest at Hong Kong lnterbank Offered Rate plus 1.05% per annum (2010: 0.5% per annum), the amounts due from associates are unsecured, interest-free, and have no fixed terms of repayment. In the opinion of the directors, advances to associates with a carrying amount before provision of HK$57,699,000 (2010: HK$57,203,000), are not repayable within twelve months from the end of the reporting period and, accordingly, such advances are classified in the statement of financial position as non-current except for the amount due from an associate of HK$7,499,000 as at 31 December 2010, which was classified as current.

The amount due to an associate with carrying amount of HK$140,724,000 (2010: nil) are not repayable within twelve months from the end of the reporting period and is, therefore, classified in the statement of financial position as non-current.

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

	2011	2010
	HK$'000	HK$'000
Assets	**4,951,218**	3,822,222
Liabilities	**2,506,979**	1,650,484
Revenue	**156,446**	141,366
Profit	**620,001**	643,008

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

Other associates

	2011	2010
	HK$'000	HK$'000
Assets	**98,560**	87,019
Liabilities	**27,418**	23,930
Revenue	**88,160**	85,719
Profit	**4,948**	10,715

Details of a principal associate are set out in note 55 to the financial statements.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2011	2010
	HK$'000	HK$'000
Club debentures, at fair value	**45,962**	53,173
Unlisted equity investments, at cost	**25**	259
	45,987	53,432

During the year, the fair value loss in respect of the Group's club debentures recognised in other comprehensive income amounted to HK$7,126,000 (2010: fair value gain of HK$11,834,000) and impairment loss in respect of the Group's debentures recognised in the consolidated income statement amounted to HK$84,000 (2010: loss of HK$36,000).

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

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

23. OTHER NON-CURRENT ASSETS

	Group	
	2011	2010
	HK$'000	HK$'000
Berths, at cost	**16,666**	16,666

24. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

	Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**435,339**	304,908
Exchange realignment	**(446)**	2,465
Transfer from investment properties (note 16)	**–**	64,800
Fair value gain	**24,487**	63,166
Disposal	**(127,390)**	–
Carrying amount at 31 December	**331,990**	435,339

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

At 31 December 2011, the Group's non-current assets classified as held for sale with aggregate value of HK$294,220,000 (2010: HK$379,210,000) were pledged and mortgaged to secure banking facilities granted to the Group (note 35).

25. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**148,896**	168,166
Work in progress	**90,417**	110,745
Finished goods	**174,470**	181,104
	413,783	460,015
Provision for inventories	**(67,246)**	(77,595)
	346,537	382,420

At 31 December 2011, the Group's inventories with a value of HK$228,719,000 (2010: HK$141,359,000) were pledged to secure general banking facilities granted to the Group (note 35).

26. TRADE RECEIVABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables:		
Non-current portion	**11,340**	–
Current portion	**315,796**	205,841
	327,136	205,841
Impairment	**(63,234)**	(63,707)
	263,902	142,134
Trade receivables, net of provision for impairment:		
Non-current portion	**11,340**	–
Current portion	**252,562**	142,134
	263,902	142,134

Trade receivable included in trade receivable, prepayments and deposits classified as non-current amounts to HK$11,340,000 as at 31 December 2011 (2010: nil).

26. TRADE RECEIVABLES *(Continued)*

The Group's trading terms with its customers are on credit with credit periods normally ranging from period of one to three months depending on a number of factors including trade practices, collection history and location of customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to monitor credit risk. Overdue balances are reviewed regularly by senior management. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 50 to the financial statements. Trade receivables are non-interest-bearing.

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

	Group	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**231,276**	124,327
91 to 180 days	**5,981**	8,304
181 to 365 days	**22,048**	1,229
Over 365 days	**4,597**	8,274
	263,902	142,134

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

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**63,707**	61,074
Exchange realignment	**61**	30
Impairment loss recognised (note 6)	**–**	5,999
Impairment loss reversed (notes 5 and 6)	**(350)**	(535)
Amount written off as uncollectible	**(184)**	(2,861)
At 31 December	**63,234**	63,707

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivable of HK$63,234,000 (2010: HK$63,707,000) with a carrying amount before provision of HK$63,234,000 (2010: HK$63,707,000). The individually impaired trade receivables relate to customers that were in financial difficulties or with whom there were trade disputes. The Group does not hold any collateral or other credit enhancements over these balances.

26. TRADE RECEIVABLES *(Continued)*

The aging 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	**231,276**	124,327
91 to 180 days	**5,981**	8,304
181 to 365 days	**22,048**	1,229
Over 365 days	**4,597**	8,274
	263,902	142,134

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

At 31 December 2011, no trade receivable (2010: HK$2,834,000) was pledged to secure banking facilities granted to the Group (note 35).

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

28. DUE FROM A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amount due from a non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

29. DUE FROM AFFILIATES

		Group	
		2011	2010
	Note	**HK$'000**	HK$'000
Due from a related company#		**78,000**	–
Due from an associate	21	**–**	7,499
		78,000	7,499

The related company is a company controlled by the substantial shareholder of the Company.

The amounts due from affiliates are unsecured. The amount due from a related company is repayable on demand subject to a term of three years from drawdown date, and carries interest at Hong Kong dollar prime rate. The amount due from an associate has no fixed terms of repayment, and carries interest at 0.5% per annum as further detailed in note 21 to the financial statements.

30. DUE TO AFFILIATES

	Group	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Due to directors	**–**	3,379
Due to a related company^	**–**	33,504
	–	36,883

^ The entire balance of the amount due to a related company was restated as a result of the adoption of merger accounting for common control combinations as detailed in note 2.1 to the financial statements. The balance previously reported was nil.

The amounts due to affiliates are unsecured, interest-free and have no fixed terms of repayment.

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity investments at market value listed in:				
Hong Kong	**25,520**	24,282	**6,228**	–
Mainland China	**1,365**	1,416	**–**	–
	26,885	25,698	**6,228**	–

The above equity investments at 31 December 2011 were classified as held for trading. The market value of short term investments of the Group and the Company at the date of approval of these financial statements were approximately HK$24,853,000 and HK$6,090,000 respectively.

32. CASH AND BANK BALANCES

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$156,245,000 (2010 (restated): HK$81,818,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

33. TRADE AND BILLS PAYABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade payables	**352,980**	284,981
Bills payable	**1,391**	8,880
	354,371	293,861

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

	Group	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**239,164**	219,228
91 to 180 days	**50,335**	14,642
181 to 365 days	**16,443**	4,569
Over 365 days	**47,038**	46,542
	352,980	284,981

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

34. OTHER PAYABLES AND ACCRUALS

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

35. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2011 HK$'000	Group 2010 HK$'000	Company 2011 HK$'000	Company 2010 HK$'000
Current						
Bank overdrafts – secured	5.00	on demand	**710**	8,246	**–**	–
Bank loans – unsecured	1.58 – 7.15	2012 – 2014	**14,522**	22,883	**–**	–
Bank loans – secured	0.65-8.21	2012 – 2020	**493,844**	293,763	**150,000**	–
Trust receipt loans – secured	1.18-2.38	2012	**228,719**	141,359	**–**	–
			737,795	466,251	**150,000**	–
Non-current						
Bank loans – unsecured	4.00	2013 – 2014	**2,544**	3,743	**–**	–
Bank loans – secured	0.65 – 3.37	2013 – 2020	**65,924**	34,405	**–**	–
			68,468	38,148	**–**	–
			806,263	504,399	**150,000**	–
Analysed into:						
Bank loans and overdrafts repayable:						
Within one year or on demand			**737,795**	466,251	**150,000**	–
In the second year			**21,164**	9,138	**–**	–
In the third to fifth years, inclusive			**41,808**	18,859	**–**	–
Over five years			**5,496**	10,151	**–**	–
			806,263	504,399	**150,000**	–

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

Notes:

(a) At the end of the reporting period, the Group's bank and other borrowings of approximately HK$789,197,000 (2010: HK$477,773,000) were secured by:

(i) pledges and mortgages over the Group's investment properties situated in Hong Kong and Mainland China, which had an aggregate carrying value at the end of the reporting period of approximately HK$382,330,000 (2010: HK$327,910,000) (note 16);

(ii) pledges and mortgages over the Group's non-current assets classified as held for sale which had an aggregate carrying value at the end of the reporting period of approximately HK$294,220,000 (2010: HK$379,210,000) (note 24);

(iii) pledges and mortgages over the Group's leasehold land and buildings (including their corresponding prepaid land lease payments), which had an aggregate carrying value at the end of the reporting period of approximately HK$88,584,000 (2010: HK$88,707,000) (note 15);

(iv) pledges over the Group's trade receivables which had an aggregate carrying value at the end of the reporting period of approximately HK$2,834,000 as at 31 December 2010, while there was no pledge over the Group's trade receivables as at 31 December 2011 (note 26);

(v) pledges over the Group's inventories which had an aggregate carrying value at the end of the reporting period of approximately HK$228,719,000 (2010: HK$141,359,000) (note 25); and

(vi) pledge and mortgage over shares in a wholly-owned subsidiary that holds the interests in an associate with share of net assets equity accounted for by the Group amounted to HK$733 million as at 31 December 2011 while there was no such pledge and mortgage as at 31 December 2010.

(b) Except for secured bank loans with an aggregate amount of HK$159,572,000 (2010: HK$95,794,000) and HK$31,053,000 (2010: Nil), which are denominated in Renminbi and United States dollars respectively, and unsecured bank loans of HK$6,908,000 (2010: HK$8,677,000), which are denominated in Renminbi, all other borrowings are in Hong Kong dollars.

36. DUE TO A NON-CONTROLLING SHAREHOLDER OF SUBSIDIARIES

The amounts due to a non-controlling shareholder of subsidiaries are unsecured, interest-free and repayable on demand.

37. ADVANCES FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

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

38. OTHER NON-CURRENT LIABILITIES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Provision for severance payments	**80,651**	78,437	**–**	–
Others	**9,759**	8,865	**472**	–
	90,410	87,302	**472**	–

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

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**78,437**	76,617
Exchange realignment	**3,700**	2,794
Amounts utilised during the year	**(1,486)**	(974)
At 31 December	**80,651**	78,437

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

39. DEFERRED TAX

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

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 January 2010	14,158	221,928	482	(4,151)	232,417
Deferred tax charged/(credited) to the income statement (note 10)	5,966	5,257	151	(2,570)	8,804
Exchange realignment	–	7,495	–	–	7,495
At 31 December 2010	20,124	234,680	633	(6,721)	248,716
At 1 January 2011	20,124	234,680	633	(6,721)	248,716
Deferred tax charged/(credited) to the income statement (note 10)	3,113	12,654	128	(443)	15,452
Exchange realignment	–	11,109	–	–	11,109
At 31 December 2011	23,237	258,443	761	(7,164)	275,277

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

(i) Tax losses arising in Hong Kong

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Tax losses	**320,514**	352,202	**22,540**	22,540

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

39. DEFERRED TAX *(Continued)*

(ii) Tax losses arising in Mainland China

The Group has tax losses arising in Mainland China of HK$188,720,000 (2010 (restated): HK$154,887,000) in the past five years for offsetting against future taxable profits. Such tax losses will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

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

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

40. SHARE CAPITAL

Shares

	Number of shares	Amount
		HK$'000
Authorised:		
Share of HK$0.02 each at 31 December 2010 and 31 December 2011	5,000,000,000	100,000

	Number of shares	Amount
		HK$'000
Issued and fully paid:		
Share of HK$0.02 each at 1 January 2010	2,971,194,814	59,424
Warrants exercised (note a)	17,442,049	349
Share of HK$0.02 each at 31 December 2010, 1 January 2011 and 31 December 2011	2,988,636,863	59,773

Note:

(a) During the year ended 31 December 2010, 17,442,049 shares of HK$0.02 each were issued at a subscription price of HK$0.4 per share pursuant to the exercise of the Company's warrants for a total consideration before expenses of HK$6,976,820.

40. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

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

	Number of shares in issue	Issued share capital HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2010	2,971,194,814	59,424	96	59,520
Warrants exercised	17,442,049	349	6,628	6,977
At 31 December 2010, 1 January 2011 and 31 December 2011	2,988,636,863	59,773	6,724	66,497

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 41 to the financial statements.

Warrants

As at 1 January 2010, the Company had 210,813,638 warrants outstanding. The holders of such warrants were entitled to subscribe in cash for fully paid ordinary shares in the Company of HK$0.02 each at a subscription price of HK$0.40 per share, subject to adjustment, on or before 6 September 2010 ("Expiry Date"). During the year ended 31 December 2010, 17,442,049 warrants were exercised. The remaining warrants not being exercised were expired on the Expiry Date. As such, the Company had no outstanding warrants as at 31 December 2010.

Share Awards

In 2011, the Board approved the establishment of the SCC Employees' Share Award Scheme (the "Share Award Scheme"). Pursuant to the rules of the Share Award Scheme, the Company has set up the SCC Employees' Share Award Scheme Trust (the "Trust") for the purpose of administering the Share Award Scheme and holding the shares purchased for the Share Award Scheme before the award and vesting of the same. The Company pays to the Trust from time to time for purchase of shares held for the Share Award Scheme from market.

The terms of the Share Award Scheme provide for the award of shares in the Company and/or shares in South China Land Limited, a related company, to employees of the Group as part of their compensation package. Subject to the rules of the Share Award Scheme, the Board shall determine at the time of grant the vesting date for the relevant awarded shares.

Dividends payable to the awarded shares are applied to acquire further shares (dividend shares) and pay the related purchase expenses and expenses of the Trust. Dividend shares have the same vesting date as the related awarded shares.

For awardees who cease employment with the Group before vesting, the unvested shares are forfeited and held by the trustee of the Share Award Scheme who may award such shares to other awardees taking into consideration the recommendations of the Board.

40. SHARE CAPITAL *(Continued)*

Share Awards *(Continued)*

Movements in the number of awarded shares in the Company and their related average fair value is as follows:

	2011		2010	
	Average fair value per share HK$	**Number of awarded shares**	Average fair value per share HK$	Number of awarded shares
At 1 January		**–**		–
Awarded	**0.55**	**7,680,000**	–	–
Forfeited	**0.53**	**(1,344,000)**	–	–
At 31 December		**6,336,000**		–

Movements in the number of shares in the Company held under the Share Award Scheme is as follows:

	2011		2010	
	Value HK$'000	**Number of shares held**	Value HK$'000	Number of shares held
At 1 January	**–**	**–**	–	–
Purchase during the year	**10,751**	**17,928,000**	–	–
At 31 December	**10,751**	**17,928,000**	–	–

The remaining vesting periods of the awarded shares in the Company outstanding as at 31 December 2011 are between 1.0 year to 2.5 years.

41. SHARE OPTION SCHEME

The directors and employees of the Company and its subsidiaries 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.

41. SHARE OPTION SCHEME *(Continued)*

(b) Participants of the Share Option Scheme

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

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

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

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

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

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

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

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

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

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

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

(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, i.e., a total of 265,167,371 shares.

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 171,167,371, representing approximately 5.73% 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.

41. SHARE OPTION SCHEME *(Continued)*

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

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

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

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

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

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

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

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

(i) Remaining life of the share option scheme

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

The following share options were outstanding under the Share Option Scheme 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	**1.5**	**96,200**	1.5	100,800
Forfeited during the year	**1.5**	**(2,200)**	1.5	(4,600)
At 31 December	**1.5**	**94,000**	1.5	96,200

41. SHARE OPTION SCHEME *(Continued)*

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

Name or category of participant	Outstanding as at 1 January 2011	Granted during the year	Exercised during the year	Forfeited 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)	Subscription price per share HK$ (Note 3)
	Number of share options									
Directors of the Company										
Cheung Choi Ngor	8,666,666	–	–	–	–	–	8,666,666	18/09/2007	18/09/2008 – 17/09/2017	1.500
	8,666,667	–	–	–	–	–	8,666,667	18/09/2007	18/09/2009 – 17/09/2017	1.500
	8,666,667	–	–	–	–	–	8,666,667	18/09/2007	18/09/2010 – 17/09/2017	1.500
Ng Yuk Fung, Peter	8,666,666	–	–	–	–	–	8,666,666	18/09/2007	18/09/2008 – 17/09/2017	1.500
	8,666,667	–	–	–	–	–	8,666,667	18/09/2007	18/09/2009 – 17/09/2017	1.500
	8,666,667	–	–	–	–	–	8,666,667	18/09/2007	18/09/2010 – 17/09/2017	1.500
Sub-total	52,000,000	–	–	–	–	–	52,000,000			
Employees										
In aggregate	1,533,333	–	–	(200,000)	–	–	1,333,333	18/09/2007	18/09/2008 – 17/09/2017	1.500
	1,533,333	–	–	(200,000)	–	–	1,333,333	18/09/2007	18/09/2009 – 17/09/2017	1.500
	1,533,334	–	–	(200,000)	–	–	1,333,334	18/09/2007	18/09/2010 – 17/09/2017	1.500
	2,099,999	–	–	(333,333)	–	333,333	2,099,999	25/09/2007	25/09/2008 – 24/09/2017	1.500
	2,099,999	–	–	(333,333)	–	333,333	2,099,999	25/09/2007	25/09/2009 – 24/09/2017	1.500
	2,100,002	–	–	(333,334)	–	333,334	2,100,002	25/09/2007	25/09/2010 – 24/09/2017	1.500
Sub-total	10,900,000	–	–	(1,600,000)	–	1,000,000	10,300,000			
Others										
In aggregate										
	10,066,665	–	–	–	–	–	10,066,665	18/09/2007	18/09/2008 – 17/09/2017	1.500
	10,066,666	–	–	–	–	–	10,066,666	18/09/2007	18/09/2009 – 17/09/2017	1.500
	10,066,669	–	–	–	–	–	10,066,669	18/09/2007	18/09/2010 – 17/09/2017	1.500
	1,033,333	–	–	(200,000)	–	(333,333)	500,000	25/09/2007	25/09/2008 – 24/09/2017	1.500
	1,033,333	–	–	(200,000)	–	(333,333)	500,000	25/09/2007	25/09/2009 – 24/09/2017	1.500
	1,033,334	–	–	(200,000)	–	(333,334)	500,000	25/09/2007	25/09/2010 – 24/09/2017	1.500
Sub-total	33,300,000	–	–	(600,000)	–	(1,000,000)	31,700,000			
Total	96,200,000	–	–	(2,200,000)	–	–	94,000,000			

41. SHARE OPTION SCHEME *(Continued)*

Notes:

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

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

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

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

No share option has been granted, exercised or cancelled during the year ended 31 December 2011. The Group recognised a share option expense of HK$9,445,000 in the year ended 31 December 2010, the year in which the share options granted were fully vested. No share option expense was recognised in the year ended 31 December 2011.

At the end of the reporting period, the Company had 94,000,000 share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 94,000,000 additional ordinary shares of the Company with additional share capital of HK$1,880,000 and share premium of HK$139,120,000 (before issue expenses).

42. RESERVES

(a) Group

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

(b) Company

	Notes	Share premium HK$'000	Capital redemption reserve HK$'000	Shares held for Share Award Scheme HK$'000	Employee share-based compensation reserve# HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2010		96	223	–	43,591	95,523	139,433
Warrants exercised	40	6,628	–	–	–	–	6,628
Total comprehensive loss for the year	11	–	–	–	–	(20,040)	(20,040)
Recognition of equity-settled share-based compensation: share option		–	–	–	9,445	–	9,445
Proposed final dividend	12	–	–	–	–	(29,886)	(29,886)
At 31 December 2010 and 1 January 2011		6,724	223	–	53,036	45,597	105,580
Total comprehensive loss for the year	11	–	–	–	–	(6,440)	(6,440)
Shares purchased for Share Award Scheme		–	–	(10,751)	–	–	(10,751)
Final dividend relating to 2010 for shares held for Share Award Scheme		–	–	–	–	149	149
Recognition of equity-settled share-based compensation: share award		–	–	–	885	–	885
At 31 December 2011		6,724	223	(10,751)	53,921	39,306	89,423

Employee share-based compensation reserve comprises the share option reserve and the share award reserve.

The Company's reserves available for distribution include share premium, capital redemption reserve, employee share-based compensation reserve and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, 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 provided that the Company is able to pay its debts as they fall due in the ordinary course of business immediately following the distribution of dividend. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2011 amounts to approximately HK$100,174,000 (2010: HK$105,580,000).

43. 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:				
FWIL (note 21)	**579,600**	396,000	**579,600**	396,000
Subsidiaries	**–**	–	**1,189,097**	1,090,057
Undertaking given to a former associate for banking facilities utilised by the former associate	**13,526**	13,526	**13,526**	13,526
	593,126	409,526	**1,782,223**	1,499,583

As 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$563,049,000 (2010: HK$446,568,000) and, in respect of the share attributable to the Group, the banking facilities granted to FWIL guaranteed by the Company was utilised to the extent of approximately HK$566,100,000 (2010: HK$343,350,000).

44. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts, which are secured by the assets of the Group, are included in note 35 to the financial statements.

45. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

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

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**70,472**	48,458
In the second to fifth years, inclusive	**79,161**	85,517
Over five years	**224**	858
	149,857	134,833

45. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its factory premises and office properties under operating lease arrangements. Leases for these factory premises are negotiated for terms ranging from one month to ten years, and those for office properties are for terms of one to two 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	**16,574**	12,227
In second to fifth years, inclusive	**34,676**	34,466
Over five years	**51,639**	57,194
	102,889	103,887

46. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 45 (b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2011	2010
	HK$'000	HK$'000
Contracted but not provided for:		
Land and buildings	**117,731**	20,367
Machinery and equipment	**8,752**	6,537
Land use rights	**70,106**	24,753
	196,589	51,657
Authorised but not contracted for:		
Property, plant and equipment	**46,606**	47,598

47. RELATED PARTY TRANSACTIONS

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

	Notes	Group 2011 HK$'000	Group 2010 HK$'000
Transactions with an associate:			
Interest income	(i)	**86**	57
Interest expense	(ii)	**(1,599)**	–
Transactions with related companies#:			
Interest income	(iii)	**3,120**	–
Rental income**	(iv)	**5,602**	5,867
Air tickets and travel related services purchased*	(iv)	**(3,731)**	(2,921)
Interest expense*	(v)	**(5)**	(9)

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

Notes:

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

(ii) The interest expense was charged at Hong Kong Interbank Offered Rate plus 1.05% per annum on the amount due to FWIL.

(iii) The interest income was charged at Hong Kong dollar prime rate on the outstanding balance of the loan to the related company.

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

(v) The interest expense was charged at Hong Kong dollar prime rate.

(b) Other transactions with related parties:

Details of a guarantee given by the Group to secure banking facilities granted to FWIL are set out in notes 21 and 43 to the financial statements.

Details of the acquisitions of subsidiaries from certain related companies, which were accounted for as common control combinations, are set out in note 2.1 to the financial statements.

47. RELATED PARTY TRANSACTIONS *(Continued)*

(c) Outstanding balances with related parties:

Details of the balances with related parties at the end of the reporting period are included in notes 20, 21, 28, 29, 30, 36 and 37 to the financial statements.

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

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

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

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

48. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group **2011**

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Advances to associates (note 21)	–	16,312	–	16,312
Available-for-sale financial assets (note 22)	–	–	45,987	45,987
Trade receivables (note 26)	–	263,902	–	263,902
Financial assets included in prepayments, deposits and other receivables	–	192,037	–	192,037
Due from a non-controlling shareholder of a subsidiary (note 28)	–	245	–	245
Due from a related company (note 29)	–	78,000	–	78,000
Financial assets at fair value through profit or loss (note 31)	26,885	–	–	26,885
Cash and bank balances	–	427,980	–	427,980
	26,885	978,476	45,987	1,051,348

48. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group **2011**

Financial liabilities

	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills payables	–	354,371	354,371
Financial liabilities included in other payables and accruals	–	304,314	304,314
Interest-bearing bank and other borrowings (note 35)	–	806,263	806,263
Due to non-controlling shareholders of subsidiaries	–	53,241	53,241
Due to an associate	–	140,724	140,724
Financial liability included in other non-current liabilities	472	–	472
	472	1,658,913	1,659,385

Group 2010

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000 (Restated)	Available-for-sale financial assets HK$'000	Total HK$'000 (Restated)
Advances to associates (note 21)	–	16,312	–	16,312
Available-for-sale financial assets (note 22)	–	–	53,432	53,432
Trade receivables (note 26)	–	142,134	–	142,134
Financial assets included in prepayments, deposits and other receivables	–	81,627	–	81,627
Due from an associate (note 29)	–	7,499	–	7,499
Financial assets at fair value through profit or loss	25,698	–	–	25,698
Cash and bank balances	–	136,358	–	136,358
	25,698	383,930	53,432	463,060

48. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group — 2010

Financial liabilities

	Financial liabilities at amortised cost HK$'000 (Restated)
Trade and bills payables	293,861
Financial liabilities included in other payables and accruals	309,308
Interest-bearing bank and other borrowings (note 35)	504,399
Due to non-controlling shareholders of subsidiaries	54,354
Due to affiliates	36,883
Deemed consideration for acquisition of subsidiaries under merger accounting	41,796
	1,240,601

Company — **2011**

Financial assets

	Financial assets at fair value through profit or loss-held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Due from subsidiaries (note 20)	–	1,433,935	1,433,935
Financial assets included in other receivables	–	658	658
Financial assets at fair value through profit or loss	6,228	–	6,228
Cash and bank balances	–	3,465	3,465
	6,228	1,438,058	1,444,286

Company — 2010

Financial assets

	Loans and receivables HK$'000
Due from subsidiaries (note 20)	1,423,734
Financial assets included in other receivables	578
Cash and bank balances	97
	1,424,409

48. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

Financial liabilities

	2011	2010
	Financial liabilities at amortised cost	
	HK$'000	HK$'000
Short-term bank borrowings	**150,000**	–
Due to subsidiaries (note 20)	**1,377,828**	1,462,018
Financial liabilities included in other payables	**1,694**	1,170
Other non-current liabilities	**472**	–
	1,529,994	1,463,188

49. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amoritsed cost are not materially different from their fair values as at 31 December 2011 and 2010, respectively.

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale.

Fair value hierarchy

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

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 December 2011 and 2010, the financial instruments measured at fair value held by the Group were classified as Level 1.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and overdrafts, other interest-bearing loans, 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, equity instrument price risk and market price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

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

Interest rate risk

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

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

	Group	
	Change in basis point	**Change in profit before tax** HK$'000
2011		
Hong Kong dollar	**50**	**3,199**
RMB	**50**	**798**
2010		
Hong Kong dollar	50	2,000
RMB	50	479

Foreign currency risk

The Group operates in Hong Kong and Mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi and United States dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations in Mainland China. The directors consider that the change in exchange rates of Hong Kong dollars against United States dollars would be insignificant and the appreciation in Renminbi against Hong Kong dollars would be a gradual process. As such, there is no significant exposure to fluctuations in foreign exchange rates and any related hedges.

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

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

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

Foreign currency risk *(Continued)*

	Group	
	Change in foreign exchange rate	**Increase/ (decrease) in profit before tax**
	%	HK$'000
2011		
If Hong Kong dollar weakens against:		
RMB	**5**	**(11,472)**
If Hong Kong dollar strengthens against:		
RMB	**5**	**11,472**
2010		
If Hong Kong dollar weakens against:		
RMB	5	(8,787)
If Hong Kong dollar strengthens against:		
RMB	5	8,787

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, financial assets at fair value through profit or loss and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 43 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 66% (2010: 75%) of the Group's trade receivables were due from the Group's five largest customers within the trading and manufacturing segment.

50. 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's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

Group	**2011**			
	Within 1 year or on demand HK$'000	**More than 1 year but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total HK$'000**
Trade and bills payables	**354,371**	**–**	**–**	**354,371**
Other payables	**304,314**	**–**	**–**	**304,314**
Interest-bearing bank and other borrowings	**748,792**	**68,046**	**5,605**	**822,443**
Due to non-controlling shareholders of subsidiaries	**21,390**	**31,851**	**–**	**53,241**
Due to an associate	**1,984**	**144,692**	**–**	**146,676**
Other non-current liabilities	**–**	**472**	**–**	**472**
	1,430,851	**245,061**	**5,605**	**1,681,517**

Group	2010			
	Within 1 year or on demand HK$'000 (Restated)	More than 1 year but less than 5 years HK$'000	More than 5 years HK$'000	Total HK$'000 (Restated)
Trade and bills payables	293,861	–	–	293,861
Other payables	309,308	–	–	309,308
Interest-bearing bank and other borrowings	413,162	59,939	37,162	510,263
Due to non-controlling shareholders of subsidiaries	23,943	30,411	–	54,354
Due to affiliates	36,883	–	–	36,883
Deemed consideration for acquisition of subsidiaries under merger accounting	41,796	–	–	41,796
	1,118,953	90,350	37,162	1,246,465

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

Liquidity risk *(Continued)*

Company	**2011** **Within 1 year or on demand** **HK$'000**	**More than 1 year but less than 5 years** **HK$'000**	**Total** **HK$'000**
Short-term bank borrowings	**153,701**	**–**	**153,701**
Due to subsidiaries (note 20)	**–**	**1,377,828**	**1,377,828**
Other payables	**1,694**	**–**	**1,694**
Other non-current liabilities	**–**	**472**	**472**
	155,395	**1,378,300**	**1,533,695**

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

Equity price risk

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

	31 December 2011	**High/low 2011**	31 December 2010	High/low 2010
Hong Kong – Hang Seng Index	**18,434**	**24,468/ 16,170**	23,035	24,989/ 18,972

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.

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

Equity price risk *(Continued)*

	Carrying amount of equity investments HK$'000	Change in profit before tax HK$'000
2011		
Investments held for trading listed in:		
Hong Kong	**25,520**	**2,552**
Mainland China	**1,365**	**137**
2010		
Investments held for trading listed in:		
Hong Kong	24,282	2,428
Mainland China	1,416	142

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2011 and 31 December 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 bank balances. Capital includes total equity. The gearing ratios at the ends of the reporting periods were as follows:

	Group	
	2011 HK$'000	2010 HK$'000 (Restated)
Interest-bearing bank and other borrowings	**806,263**	504,399
Less: Cash and bank balances	**(427,980)**	(136,358)
Net debt	**378,283**	368,041
Capital	**2,625,230**	2,303,406
Capital and net debt	**3,003,513**	2,671,447
Gearing ratio	**12.6%**	13.8%

51. EVENT AFTER THE REPORTING PERIOD

On 2 November 2011, an indirect wholly owned subsidiary of the Company as grantee entered into an Agreement of Entrusted Management (the "Agreement"), which is subject to the independent shareholders' approval, with a wholly owned subsidiary of South China Land Limited ("SCL"), a related company controlled by the substantial shareholder of the Company, as grantor for the exclusive right to manage Fortuna Plaza, a shopping mall at Shenyang, the PRC, for the term of one year ending on 31 December 2012, which is renewable annually on the same terms and conditions at the option of the Group up to 31 December 2026 at a basic annual fee of Rmb 80 million plus annual performance fee calculated based on 50% of annual gross income less all expenses (before deduction of PRC Enterprise Income Tax and the abovementioned performance fee) of the grantee as provided for in the Agreement, which was approved by the independent shareholders of the Company and SCL at the extraordinary general meetings of respective companies held on 6 January 2012. Details of the transaction were disclosed in the announcement and circular of the Company dated 2 November 2011 and 19 December 2011, respectively.

52. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain items in the financial statements have been revised to comply with the new requirements. In addition, as further explained in note 2.1 to the financial statements, certain comparative amounts have been restated as a result of the adoption of merger accounting for the common control combinations taking place during the year.

53. APPROVAL OF THE FINANCIAL STATEMENTS

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

54. PARTICULARS OF 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
Beat Time Enterprises Limited	British Virgin Islands ("BVI")	US$1	100%	Investment holdings
Bewise Developments Limited	BVI	US$1	100%	Investment holdings
重慶華慶農林發展有限公司 (note d)	The PRC/ Mainland China	RMB20,000,000	100%	Forestry
Copthorne Holdings Corp.	Republic of Panama/ Hong Kong	US$200	100%	Property investment
Eastand Investments Limited	Hong Kong	HK$2	100%	Investment holding
Everwin Toys (Dongguan) Co., Ltd (note d)	The PRC/ Mainland China	HK$27,500,000	100%	Manufacturing of toys

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Full Grown Limited	BVI	US$1	100%	Investment holdings
Guang Dong Huaxin Fruit Development Co. Ltd. (note d)	The PRC/ Mainland China	US$7,500,000	100%	Fruit plantation
Lion Strength Group Limited	BVI	US$1	100%	Investment holdings
Micon Limited	Hong Kong	HK$2	100%	Investment holdings
Nanjing South China Dafang Electric Co., Ltd (note c)	The PRC/ Mainland China	RMB77,550,000	93.63%	Property investment
Nanjing South China Huaguan Compressor Ltd. (note c)	The PRC/ Mainland China	RMB61,230,000	100%	Property investment
Nanjing South China Sanda Motor Co. Ltd. (note c)	The PRC/ Mainland China	RMB18,940,000	100%	Property investment
Nanjing South China Santa Machinery Co., Ltd. (note c)	The PRC/ Mainland China	RMB54,900,000	92.65%	Property investment
南京液壓件二廠有限公司 (note c)	The PRC/ Mainland China	RMB2,345,600	85%	Property investment
南京第二壓縮機有限公司 (note d)	The PRC/ Mainland China	RMB16,756,800	100%	Property investment
南京電機有限公司(note d)	The PRC/ Mainland China	RMB25,261,300	100%	Property investment
南京微分電機有限公司 (note c)	The PRC/ Mainland China	RMB29,035,500	87%	Property investment
Nority Development Limited	BVI	US$2	100%	Property holding
Prime Prospects Limited	Hong Kong	HK$100,000	70%	Property investment
Proleap Limited	BVI	US$1	100%	Investment holdings
Rich Dynamics Limited	BVI	US$1	100%	Investment holdings
Right Focus Developments Limited	BVI	US$1	100%	Investment holdings

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
陝西泰添農林發展有限公司 (note d)	The PRC/ Mainland China	HK$1,000,000	100%	Woods and crops plantation
瀋陽華瑞農林綜合開發有限公司 (note d)	The PRC/ Mainland China	US$2,100,000	100%	Woods and crops plantation
Shineway Footwear Limited	Hong Kong	HK$500,000	100%	Trading of shoes
Sino Pioneer International Limited	BVI	US$1	100%	Investment holdings
Soncastle Investments Limited	BVI	US$1	100%	Investment holdings
South China Industries (BVI) Limited (note a)	BVI	US$1,000	100%	Investment holdings
South China Shoes Products Company Limited	Hong Kong	HK$500,000	100%	Trading of footwear products
South China Strategic (BVI) Limited	BVI	US$1	100%	Investment holdings
South China Strategic Limited	Hong Kong	HK$308,593,789	100%	Investment holdings
South China Strategic Properties (BVI) Limited	BVI	US$1	100%	Property investment
South China Strategic Property Development Limited	Hong Kong	HK$5,000,000	100%	Property development and investment holding
Spark-Inn Investments Limited	Hong Kong	HK$2	100%	Property investment
Spring Joy Industrial Limited	BVI	US$1	100%	Investment holdings
Strategic Finance Limited	Hong Kong	HK$2	100%	Provision of financing services
泰美華升(惠州)電子有限公司(note d)	The PRC/ Mainland China	US$1,500,000	70%	Manufacturing and trading of electronic products

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Tianjin South China Leather Chemical Products Co. Ltd. (note c)	The PRC/ Mainland China	RMB20,516,500	80%	Manufacturing of leather chemical products
Tianjin South China Leesheng Sporting Goods Co. Ltd. (note c)	The PRC/ Mainland China	RMB10,213,600	80%	Manufacturing of sports products
Tianjin South China Shoes Products Co. Ltd. (note c)	The PRC/ Mainland China	RMB36,100,200	80%	Manufacturing of footwear products
Truth Resources Limited	BVI	US$1,000	100%	Investment holdings
Wahheng Toys (Shenzhen) Co., Ltd (note d)	The PRC/ Mainland China	US$8,000,000	100%	Manufacturing of toys
Wah Shing (BVI) Limited	BVI	US$1,000	100%	Investment holding
Wah Shing Electronics Company Limited	Hong Kong/ Mainland China	HK$571,500	70%	Manufacturing and trading of toys
Wah Shing International Holdings Limited	Bermuda	HK$54,432,000	100%	Investment holdings
Wah Shing Toys Company Limited	Hong Kong	HK$2 ordinary and HK$3,020,002 Non-voting deferred (note b)	100%	Trading of toys
Welbeck Holdings Limited	BVI	US$1	100%	Investment holdings
WTS International (BVI) Limited	BVI	US$1	100%	Investment holdings
Wuhan Huafeng Agricultural Development Company Limited (note d)	The PRC/ Mainland China	RMB6,000,000	100%	Forestry

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

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

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

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

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

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

55. PARTICULARS OF A PRINCIPAL ASSOCIATE

Particulars of the principal associate at 31 December 2011 are as follows:

Name	Place of incorporation and operation	Class of share held	Percentage of equity interest indirectly held by the Group	Principal activity
FWIL*	Hong Kong	Ordinary	30%	Property development

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

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

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

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

Summary of Financial Information

31 December 2011

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

RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)		
REVENUE	**3,097,990**	2,648,673	1,893,080	1,934,033	2,113,362
PROFIT BEFORE TAX	**314,377**	440,925	389,451	84,228	415,664
INCOME TAX	**(36,676)**	(22,696)	(12,788)	(17,910)	(1,641)
PROFIT FOR THE YEAR	**277,701**	418,229	376,663	66,318	414,023
ATTRIBUTABLE TO:					
Owners of the Company	**262,038**	406,654	382,270	78,004	413,820
Non-controlling interests	**15,663**	11,575	(5,607)	(11,686)	203
	277,701	418,229	376,663	66,318	414,023

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)		
TOTAL ASSETS	**4,725,618**	3,949,891	3,407,934	3,595,936	3,088,204
TOTAL LIABILITIES	**(2,100,388)**	(1,646,485)	(1,555,356)	(1,688,349)	(1,352,556)
NON-CONTROLLING INTERESTS	**(117,567)**	(97,721)	(86,415)	(135,808)	(93,853)
	2,507,663	2,205,685	1,766,163	1,771,779	1,641,795

Details of Properties

A. INVESTMENT PROPERTIES

	Location	Group's interest	Existing use
(1)	**Hong Kong**		
	The Centrium No. 60 Wyndham Street Central Hong Kong	30%	Commercial
	The 1st floor and 2nd floor On Lok Yuen Building and the four lavatories thereof Nos. 25, 27 & 27A Des Voeux Road Central Hong Kong	100%	Commercial
	Units A, B, C and D on 2nd Floor Units A, B, C and D on 3rd Floor Units A, B, C and D on 4th Floor Units A and B on 6th Floor Units A, B and D on 10th Floor Units A, B, C and D on 12th Floor Unit B, C and D on 13th Floor Car Parking Space Nos. 7, 17, 18 and 19 and Lorry Parking Space Nos 3, 12, 13, 21, 25 and 26 Wah Shing Centre 5 Fung Yip Street Chaiwan, Hong Kong	100%	Industrial and carparking
	1st Floor of Block G Kimberley Mansion No. 15 Austin Avenue Tsimshatsui Kowloon Hong Kong	100%	Commercial and residential
	Unit 14 on 6th Floor Nan Fung Commercial Centre No. 19 Lam Lok Street Kowloon Bay, Kowloon Hong Kong	100%	Commercial
	Flats A, B, C and D on 1st Floor Fu Fung Building Nos. 5-7 Tsing Fung Street North Point Hong Kong	100%	Commercial
	2nd Floor No. 10A Austin Avenue Tsim Sha Tsui Kowloon Hong Kong	100%	Residential

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(1)	**Hong Kong** *(Continued)*		
	Units A, B and C on 7th Floor and the three lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
	Unit A, B and C on 8th Floor and the three lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
	Units B and C on 9th Floor and the two lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
	Unit No 1022 on 10th Floor, Nan Fung Centre Nos. 264-298 Castle Peak Road and Nos. 64-98 Sai Lau Kok Road Tsuen Wan New Territories Hong Kong	100%	Commercial
	The Whole of 4th Floor McDonald's Building Nos. 46-54 Yee Wo Street Causeway Bay Hong Kong	100%	Commercial
(2)	**Mainland China**		
	Various buildings and a land parcel located at No. 28 Yunan North Road No. 2 Shi Zi Qiao, Gulou District Nanjing City, Jiangsu Province The PRC	87%	Commercial
	A building and a land parcel located at No. 32 Shi Zi Qiao, Gulou District Nanjing City, Jiangsu Province The PRC	87%	Commercial

A. INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
(2) Mainland China *(Continued)*		
Various buildings and two land parcels located at No. 36 Zhe Fang Road Baixia District Nanjing City Jiangsu Province The PRC	87%	Commercial
Various buildings erected upon a land parcel located at No. 166 Yingtian West Road, Jianye District, Nanjing City, Jiangsu Province, the PRC	100%	Commercial
4th Floor No. 64 Ertiao Lane Baixia District, Nanjing City, Jiangsu Province, the PRC	100%	Commercial
Various buildings and two land parcels located at No. 104 & 160 Fenghuang East Road, Luhe District, Nanjing City, Jiangsu Province, the PRC	100%	Commercial
Various buildings and a land parcel located at No. 262 Yuhua West Road, Yuhuatai District, Nanjing City, Jiangsu Province, the PRC	100%	Commercial
Various buildings and a land parcel located at No. 160 Honghua Village, Honghua Town, Qinhuai District, Nanjing City, Jiangsu Province, the PRC	92.65%	Commercial

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(2)	**Mainland China** *(Continued)*		
	A building and land parcel located at No. 2 Tuoyuan, Nanhu Street, Jianye Zone, Nanjing City, Jiangsu Province, the PRC	92.65%	Commercial
	A land parcel located at No. 292 Sheng Zhou Road Jianye District Nanjing City Jiangsu Province The PRC	85%	Commercial
	Various buildings erected upon a land parcel located at No. 292 Sheng Zhou Road Jianye District Nanjing City Jiangsu Province The PRC	92.65%	Commercial
	Various buildings and a land parcel located at Zhetang Town Industrial Park, Lishui County, Nanjing City, Jiangsu Province, The PRC	85%	Industrial
	Various buildings and a land parcel located at 462 Da Gu Nan Road Hexi District Tianjin The PRC	100%	Commercial
	Various buildings and a land parcel located at 51 Sudi Road Nankai District Tianjin The PRC	100%	Commercial/ Industrial

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(2)	**Mainland China** *(Continued)*		
	Various buildings erected upon a land parcel located at San Le Road South, Dianshanhu Town, Kunshan City, Jiangsu Province, the PRC	100%	Industrial
	Unit C on 15th Floor World Trade Plaza No. 71 Wusi Road Fuzhou, Fujian Province The PRC	100%	Commercial
	Nority Industrial Building No. 4 Xiaobian Industrial District Changan Town Dougguan City Guangdong Province The PRC	100%	Industrial

B. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Location	Gross floor area	Group's interest	Existing use
(1)	**Hong Kong**			
	Unit A and B, Ground Floor Cheung Wah Industrial Building Nos. 10-12 Shipyard Lane Quarry Bay Hong Kong	11,897 sq.ft.	100%	Commercial and industrial
	Unit No. 78 on 2nd Floor Units Nos. 4, 5, 6, 7 and 8 on 3rd floor Houston Centre No. 63 Mody Road Tsim Sha Tsui Kowloon Hong Kong	11,947 sq.ft.	100%	Commercial
	Ground Floor to 5th Floor (The Whole Block) Nos. 18-20 Ming Fung Street Wong Tai Sin Kowloon Hong Kong	6,060 sq.ft.	100%	Residential/ commercial

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

	Location	Gross floor area	Group's interest	Existing use
(1)	**Hong Kong** *(Continued)*			
	Units J and L on 2nd Floor Private Car Parking Space Nos. G20 and G22 and Lorry Parking Space Nos. L3 and L4 on Ground Floor Kaiser Estate 2nd Phase Nos. 47-53 Man Yue Street Nos. 20-28 Man Lok Street Hunghom, Kowloon, Hong Kong	17,750 sq.ft.	100%	Industrial and carparking
(2)	**Mainland China**			
	Grand Hotel Four Seas Kai Cheung Da Dao Danshui Huiyang City, Guangdong Province The PRC	82,740 sq.ft.	100%	Commercial
(3)	**Taiwan**			
	Unit 2 on Level 15 Unit 1 on Level 24 and portion of Basement 2 No. 303 Zhong Ming Road South West District Taichung City Taiwan	7,894 sq.ft.	100%	Commercial
	Level 1, Unit 2 on Level 2 One carparking space and one motorcycle parking space in Basement 2, No. 28-5 Section 1 Zhiyou Road West District Taichung City Taiwan	3,135 sq.ft.	100%	Commercial and carparking