Annual Report
2012

Nanyang Holdings Limited

(incorporated in Bermuda with limited liability) Stock Code: 212

CONTENTS

Corporate Information

Directors
Rudolf Bischof (Chairman)
Yun Cheng Wang (Senior Managing Director) (passed away on 22nd April 2012)
Hung Ching Yung, JP (Managing Director)
Lincoln C. K. Yung, JP (Deputy Managing Director)
James Julius Bertram
Robert Tsai To Sze
* John Con-sing Yung (appointed on 13th December 2012)
Jennie Chen (Financial Controller)

Independent non-executive directors
* *Non-executive director*

Company Secretary
John Barr

Registrars and Transfer Agent
HSBC Securities Services (Bermuda) Limited
6 Front Street, Hamilton HM 11
Bermuda

Branch Registrars and Registration Office
Computershare Hong Kong Investor Services Limited
Rooms 1712–16, 17/F, Hopewell Centre
183 Queen's Road East
Hong Kong

Auditors
PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

Bankers
The Hongkong & Shanghai Banking Corporation Ltd
Shanghai Commercial Bank Ltd

Solicitors
Mayer Brown JSM

GROUP FINANCIAL HIGHLIGHTS

	2012 HK$'000	2011 HK$'000 (Restated)	Variance
Revenue	140,716	118,900	18%
Profit attributable to equity holders of the Company before taking into account changes in fair value of investment properties and related tax effects	76,197	52,648	45%
Add: Changes in fair value of investment properties and related tax effects	483,435	158,871	204%
Profit attributable to equity holders of the Company	559,632	211,519	165%
Total equity	3,396,020	2,896,982	17%

	2012 HK$	2011 HK$ (Restated)	
Earnings per share before taking into account changes in fair value of investment properties and related tax effects	1.85	1.27	46%
Add: Changes in fair value of investment properties and related tax effects per share	11.70	3.85	204%
Earnings per share	13.55	5.12	165%
Final dividend per share	0.40	0.40	–
Special dividend per share	0.40	0.10	300%
Dividend per share	0.80	0.50	60%
Net asset value per share	82.25	70.17	17%

FIVE YEAR FINANCIAL SUMMARY

	2012 HK$'000	2011 HK$'000 (Restated)	2010 HK$'000 (Restated)	2009 HK$'000 (Restated)	2008 HK$'000 (Restated)
Consolidated Income Statement					
Revenue	140,716	118,900	134,559	107,263	(29,805)
Operating profit/(loss)	557,155	221,030	139,864	76,866	(100,074)
Finance costs	(1,082)	(807)	(352)	(25)	(1,483)
Share of profits/(losses) of jointly controlled entities	22,188	8,553	(47)	(5,033)	(21,982)
Profit/(loss) before income tax	578,261	228,776	139,465	71,808	(123,539)
Income tax expense	(18,629)	(17,257)	(14,329)	(4,174)	(2,050)
Profit/(loss) attributable to equity holders of the Company	559,632	211,519	125,136	67,634	(125,589)
Dividends paid	20,644	33,097	23,114	8,405	21,668
Consolidated Balance Sheet					
Property, plant and equipment	1,119	1,320	1,528	1,948	2,394
Investment properties	1,691,730	1,228,440	1,081,920	999,900	978,700
Jointly controlled entities	212,606	189,716	176,455	173,535	179,774
Available-for-sale financial assets	1,342,745	1,386,402	1,140,386	510,774	367,471
Deferred income tax assets	102	103	506	106	106
Derivative financial instruments, net	–	(385)	(192)	350	–
Other non current assets	–	–	–	62,766	–
Net current assets	168,766	110,205	207,363	182,798	195,818
Deferred income tax liabilities	(21,048)	(18,819)	(17,802)	(15,412)	(12,471)
Net assets	3,396,020	2,896,982	2,590,164	1,916,765	1,711,792
Share capital	4,129	4,129	4,137	4,202	4,202
Reserves	3,391,891	2,892,853	2,586,027	1,912,563	1,707,590
Total equity	3,396,020	2,896,982	2,590,164	1,916,765	1,711,792

Note:

Prior year figures have been restated to account for the prior year adjustments described in note 2.1 to the financial statements.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of Nanyang Holdings Limited will be held at 21st Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Friday, 31st May 2013 at 12:00 noon for the following purposes:–

1. To receive and consider the audited Financial Statements and the reports of the Directors and the Auditor for the year ended 31st December 2012;

2. To approve the payment of a final dividend and a special dividend;

3. To elect/re-elect Directors;

4. To re-appoint the Auditor and fix their remuneration.

As special business to consider and, if thought fit, pass with or without modification the following Resolutions:

As Ordinary Resolutions:–

5. THAT:

   (a) subject to paragraph (b) below the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares of the Company be generally and unconditionally approved;

   (b) the aggregate nominal amount of shares which may be purchased on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly;

   (c) for the purposes of this Resolution "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:–

      (i) the conclusion of the next Annual General Meeting of the Company; and

(ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.

6. THAT:

(a) subject to paragraph (c), the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue or (ii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-Laws of the Company, shall not exceed the aggregate of (aa) 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution plus (bb) (if the Directors of the Company are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution), and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:–

"Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:–

(i) the conclusion of the next Annual General Meeting of the Company; and

(ii) the revocation or variation of the approval given by this Resolution by ordinary resolution of the shareholders in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).

7. THAT the Directors of the Company be authorised to exercise the powers of the Company referred to in paragraph (a) of the resolution set out as Resolution 6 in the notice of this meeting in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such resolution.

By Order of the Board

John Barr
Company Secretary

Hong Kong, 20th March 2013

Notes:

1. The register of members of the Company will be closed from 6th June 2013 to 7th June 2013, both days inclusive. To qualify for the final and special dividends, transfers should be lodged with the Company's branch registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 5th June 2013.

2. A member entitled to attend, act and vote is entitled to appoint one or more proxies to attend, act and vote instead of him. A proxy need not be a member of the Company. To be valid, an instrument appointing a proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the principal place of business of the Company, Room 1808, St. George's Building, 2 Ice House Street, Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting, and in default thereof the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution.

   Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting concerned, and in such event the instrument appointing a proxy shall be deemed to be revoked.

3. Corporate representatives shall before the meeting commences produce the relevant resolution of directors or other governing body or the power of attorney under which they are authorised to attend, act and vote at the meeting.

   If a member which is a corporation wishes to appoint a proxy to attend and vote at the meeting, Note 2 above shall be applicable.

4. In relation to the general mandate referred to in Resolution 6 above, the Directors have no specific proposal in mind but wish to be in a position to take advantage of any opportunities which may arise.

5. The Chairman will demand that each of the resolutions set out in the notice of this meeting be voted on by poll.

Rudolf Bischof

Chairman, Independent Non-Executive Director, Chairman of Nomination Committee, Member of Remuneration Committee and Member of Audit Committee

Mr. Rudolf Bischof, aged 71, was appointed a Director of the Company in March 1998 and became Chairman in August 2003. He was educated in Switzerland and has been engaged in the field of asset management and private banking in Hong Kong since 1971, including several years with the former Swiss Bank Corporation. Prior to coming to Hong Kong, Mr. Bischof also worked for a leading British investment bank in London, Madrid and New York. He has also been a Non-Executive Director of CLP Holdings Limited (retired on 1st April 2010) during the past three years.

Hung Ching Yung, JP

Managing Director, Member of Remuneration Committee and Member of Nomination Committee

Mr. Hung Ching Yung, aged 90, has been the Managing Director of the Company for 66 years since it was founded in 1947. He studied in St. John's University and graduated from the University of Shanghai. He is now the Chairman of The Shanghai Commercial & Savings Bank, Ltd. in Taiwan. He is also a Director of Shanghai Sung Nan Textile Co. Ltd., Shanghai Commercial Bank Ltd. in Hong Kong, Paofoong Insurance Company (Hong Kong) Ltd., and The Wing On Enterprises, Ltd. He was the Founder of the Hong Kong Cotton Spinners Prevocational School and has been an Advisor of the Tung Wah Group of Hospitals since 1956 until now. He is the father of Mr. Lincoln C. K. Yung and the grandfather of Mr. John Con-sing Yung.

Lincoln Chu Kuen Yung, JP
Deputy Managing Director, Member of Remuneration Committee and Member of Nomination Committee

Mr. Lincoln Yung, aged 67, has been a Director of the Company for 36 years. He is an economics graduate from the Cornell University and received an MBA in accounting and finance from the University of Chicago. Mr. Yung has extensive experience in the textile industry, banking and investment, and has served on various community and government committees. Mr. Yung is currently the Chairman and Non-Executive Director of Shanghai Commercial Bank Limited and Paofoong Insurance Company (Hong Kong) Limited. He is also an Independent Director of Tai Ping Carpets International Limited, a Director of The Shanghai Commercial & Savings Bank, Ltd. and Shanghai Sung Nan Textile Co. Ltd., and Non-Executive Vice-Chairman of Southern Textile Co. Ltd. He is the son of Mr. Hung Ching Yung and the father of Mr. John Con-sing Yung.

James Julius Bertram
Independent Non-Executive Director, Chairman of Remuneration Committee, Member of Audit Committee and Member of Nomination Committee

Mr. James Bertram, aged 68, was appointed a Director of the Company in August 2003. He was educated in the United Kingdom where he was admitted as a solicitor in 1970. In 1971 he was admitted as a solicitor in Hong Kong since when he has practised as a solicitor with Deacons where he was Senior Partner from 1988 to 2000. He is currently employed by Deacons as a consultant.

Robert Tsai To Sze
Independent Non-Executive Director, Chairman of Audit Committee, Member of Remuneration Committee and Member of Nomination Committee

Mr. Robert Sze, aged 72, was appointed a Director of the Company in August 2003. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and was a partner in an international firm of accountants with which he had practised for over 20 years. He is an Independent Non-Executive Director of a number of Hong Kong listed companies, Asia Satellite Telecommunications Holdings Limited, China Travel International Investment Hong Kong Limited, Dah Sing Banking Group Limited, Dah Sing Financial Holdings Limited, Hop Hing Group Holdings Limited, Min Xin Holdings Limited, QPL International Holdings Limited and Sunwah Kingsway Capital Holdings Limited.

John Con-sing Yung
Non-Executive Director

Mr. John Yung, aged 44, was appointed a Non-Executive Director of the Company in December 2012. He holds a bachelor degree in arts and a master degree in business administration from the University of Chicago. Mr. Yung has been appointed as a Director of Nanyangetextile.com Limited, an indirect wholly-owned subsidiary of the Company, since 2000. He has been appointed as a Director of The Shanghai Commercial & Savings Bank, Ltd. in Taiwan ("SCSB") since 2003. He is presently an Executive Vice President and the Chief Information Officer of SCSB, responsible for the bank's overseas expansion and relationship with other financial institutions. He is also an Alternate Director of Shanghai Commercial Bank Ltd. in Hong Kong. Mr. Yung serves as a member of the Shanghai Committee of the Chinese People's Political Consultative Conference. He has over nine years of experience in information technology and telecommunication business in the Asia Pacific region. Mr. Yung is a son of Mr. Lincoln C. K. Yung and a grandson of Mr. Hung Ching Yung.

Jennie Chen
Director and Financial Controller

Ms. Jennie Chen, aged 57, was appointed a Director of the Company in September 2003. Ms. Chen holds the position of Financial Controller and has been with the Company for 27 years. She graduated from the University of Toronto and has experience in accountancy, finance and investment, and the textile industry. She is also a Director of Southern Textile Co. Ltd. and Shanghai Sung Nan Textile Co. Ltd.

Report of The Directors

The Directors submit their report together with the audited financial statements for the year ended 31st December 2012.

Principal Activities and Segment Analysis of Operations
The principal activity of the Company is investment holding. The activities of its jointly controlled entities and subsidiaries are shown in Notes 16 and 32 to the financial statements respectively.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

Results and Appropriations
The results of the Group for the year ended 31st December 2012 are set out in the consolidated income statement on page 30.

The Directors recommend the payment of a final dividend of HK$0.40 per share and a special dividend of HK$0.40 per share, representing a total dividend distribution of approximately HK$33.0 million. Subject to the approval at the Annual General Meeting, the final and special dividends will be paid on 14th June 2013.

Reserves
Movements in the reserves of the Group and the Company during the year are set out in Note 24 to the financial statements.

Distributable Reserves
Distributable reserves of the Company at 31st December 2012, calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$405,768,000 (2011: HK$401,428,000).

Fixed Assets
Details of the movements in property, plant and equipment, and investment properties of the Group are set out in Notes 13 and 14 to the financial statements respectively.

Principal Properties
Details of the principal properties of the Group are set out on page 100.

Share Capital
Details of the movements in share capital of the Company during the year are set out in Note 23 of the financial statements.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

Directors

The names of the Directors of the Company who held office during the year and up to the date of this report are set out on page 2. The biographical details of the Directors are set out on pages 9 to 11.

Mr. John Con-sing Yung retires at the Annual General Meeting in accordance with Bye-Law 100 of the Bye-Laws of the Company and, being eligible, offers himself for re-election.

Mr. James Julius Bertram retires by rotation in accordance with Bye-Law 109(A) of the Bye-Laws of the Company and, being eligible, offers himself for re-election.

Mr. Hung Ching Yung retires voluntarily in accordance with the Company's Corporate Governance Code and, being eligible, offer himself for re-election.

None of the Directors 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' Interests

As at 31st December 2012, the interests of the Directors and chief executive in the shares of the Company as recorded in the Register of Directors'/Chief Executive's Interests and Short Positions maintained under Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

	Shares of HK$0.10 each of the Company				
Name	Personal interests	Family interests	Corporate interests	Total	% of issued share capital
Hung Ching Yung	10,701,944	30,000	5,500,000 (Note)	16,231,944	39.31%
Lincoln C. K. Yung	2,240,000	10,000	–	2,250,000	5.45%
Rudolf Bischof	150,000	–	–	150,000	0.36%
John Con-sing Yung	33,000	37,000	–	70,000	0.17%

Note: As stated below, Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by a substantial shareholder, Tankard Shipping Co. Inc, pursuant to the SFO.

Directors' Interests *(cont'd)*

During the year, the Company has not granted to any Directors, chief executive or their respective spouses and children under 18 years of age any rights to subscribe for shares of the Company.

No contracts of significance in relation to the business of the Group to which the Company or its 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.

At no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors or chief executive or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 31st December 2012, the Register of Substantial Shareholders' Interests and Short Positions maintained under Section 336 of the SFO shows that the following party, other than the Directors as disclosed above, was interested in 5 per cent or more of the issued share capital of the Company:

	Number of shares	% of issued share capital
Tankard Shipping Co. Inc.	5,500,000 (Note)	13.32%

Note: Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by Tankard Shipping Co. Inc. pursuant to the SFO.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any shares of the Company during the year.

Pre-emptive Rights

No pre-emptive rights exist under Bermuda law in relation to the issue of new shares by the Company.

Management Contracts

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

Major Suppliers and Customers

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	68%
– five largest suppliers combined	89%

The five largest customers for the year are tenants of the Group's investment properties. Income from the largest and five largest customers combined constitutes 13% and 20% of the Group's total income from investment properties for the year.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Related Party Transactions

Details of related party transactions are set out in Note 31 to the financial statements. None of the transactions constitute a connected transaction as defined in the Listing Rules.

Sufficiency of public float

Based on the information that is publicly available and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares at 20th March 2013.

Auditors

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Rudolf Bischof
Chairman

Hong Kong, 20th March 2013

The Board is committed to promoting good corporate governance to safeguard the interests of the shareholders and to enhance the Group's performance. Throughout the year, the Company was in compliance with the code provisions of the Code on Corporate Governance Practices (effective until 31st March 2012) and Corporate Governance Code and Corporate Governance Report (effective from 1st April 2012) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"). The Directors have complied with the standard set out in the Model Code throughout the year ended 31st December 2012.

Board of Directors

The Board of Directors (the "Board") of the Company provides leadership and supervises the overall direction of the Group's businesses. The day-to-day management however has been delegated to the Executive Directors.

The Board comprises of seven Directors; three Executive Directors, three Independent Non-Executive Directors and one Non-Executive Director (appointed on 13th December 2012). One of the Independent Non-Executive Directors possesses the appropriate professional accounting qualifications or related financial management expertise as required under the Listing Rules.

Each of the Independent Non-Executive Directors has made an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules.

The Board meets regularly to review financial statements, material investments in new projects, dividend policy, major financings, treasury policies and changes in accounting policies. All Directors have access to board papers and related materials which are provided on a timely manner. The Company Secretary keeps the minutes of Board meetings.

The Company has insurance coverage for its Directors and officers.

Board of Directors *(cont'd)*

The Board met four times in 2012. Attendance of individual Directors is listed below:

		Attendance
Executive Directors		
Mr. Yun Cheng Wang *(Note 1)*	Senior Managing Director	1/1
Mr. Hung Ching Yung, JP	Managing Director	4/4
Mr. Lincoln C. K. Yung, JP	Deputy Managing Director	4/4
Ms. Jennie Chen	Financial Controller	4/4
Independent Non-Executive Directors		
Mr. Rudolf Bischof	Chairman of the Board	4/4
Mr. James Julius Bertram	Director	4/4
Mr. Robert Tsai To Sze	Director	4/4
Non-Executive Director		
Mr. John Con-sing Yung *(Note 2)*	Director	N/A

Notes:
1. *Mr. Yun Cheng Wang passed away on 22nd April 2012.*
2. *Mr. John Con-sing Yung was appointed on 13th December 2012.*

Board of Directors *(cont'd)*

The 2012 Annual General Meeting was held on 18th May 2012. Attendance of individual Directors is listed below:

		Attendance
Executive Directors		
Mr. Yun Cheng Wang *(Note 1)*	Senior Managing Director	N/A
Mr. Hung Ching Yung, JP	Managing Director	1/1
Mr. Lincoln C. K. Yung, JP	Deputy Managing Director	1/1
Ms. Jennie Chen	Financial Controller	1/1
Independent Non-Executive Directors		
Mr. Rudolf Bischof	Chairman of the Board	1/1
Mr. James Julius Bertram	Director	1/1
Mr. Robert Tsai To Sze	Director	1/1
Non-Executive Director		
Mr. John Con-sing Yung *(Note 2)*	Director	N/A

Notes: 1. *Mr. Yun Cheng Wang passed away on 22nd April 2012.*
2. *Mr. John Con-sing Yung was appointed on 13th December 2012.*

Mr. Rudolf Bischof is the Chairman of the Board and an Independent Non-Executive Director. Mr. Hung Ching Yung is the Chief Executive Officer of the Group.

The late Mr. Yun Cheng Wang was the brother-in-law of Mr. Hung Ching Yung. Mr Hung Chung Yung is the father of Mr. Lincoln C. K. Yung and Mr. John Con-sing Yung is a son of Mr. Lincoln C. K. Yung.

The Independent Non-Executive Directors and Non-Executive Director are appointed for a specific term and are subject to retirement by rotation.

Directors' continuous professional development

All the Directors of the Company participate in continuous professional development to ensure they are informed and aware of the amendments and updates of the Listing Rules, Hong Kong Companies Ordinance and Corporate Governance Code.

Directors are provided with written materials from time to time, they attend seminars and the Company Secretary also arranges suitable in-house training on the latest development of rules and regulations for assisting the Directors in discharging their duties.

According to the records maintained by the Company, the Directors received the following training on continuous professional development during the year.

		Material	In-house training/ seminars
Executive Directors			
Mr. Yun Cheng Wang *(Note)*	Senior Managing Director	N/A	N/A
Mr. Hung Ching Yung, JP	Managing Director	√	√
Mr. Lincoln C. K. Yung, JP	Deputy Managing Director	√	√
Ms. Jennie Chen	Financial Controller	√	√
Independent Non-Executive Directors			
Mr. Rudolf Bischof	Chairman of the Board	√	√
Mr. James Julius Bertram	Director	√	√
Mr. Robert Tsai To Sze	Director	√	√
Non-Executive Director			
Mr. John Con-sing Yung	Director	√	√

Note: *Mr. Yun Cheng Wang passed away on 22nd April 2012.*

Remuneration Committee

The Remuneration Committee was established by the Board on 25th May 2005. The written terms of which were revised on 7th December 2005 and 7th May 2012 and further revised on 18th May 2012. The Committee consists of the three Independent Non-Executive Directors, the Managing Director and the Deputy Managing Director.

The Committee met once in 2012. Attendance of individual Directors is listed below:

	Attendance
Mr. James Julius Bertram – Chairman of the Remuneration Committee	1/1
Mr. Rudolf Bischof	1/1
Mr. Hung Ching Yung, JP	1/1
Mr. Lincoln C. K. Yung, JP	1/1
Mr. Robert Tsai To Sze	1/1

The principal duty of the Committee is to review and make recommendations to the Board on the Group's policy and structure for all remuneration of Directors and senior management. In doing this, professional advice may be sought if considered necessary. No Director or any of their associates is involved in deciding their own remuneration.

Auditor's Remuneration

For the year ended 31st December 2012, fees payable to the auditors of the Group for audit and non-audit services amounted to HK$1,315,000 and HK$707,000 respectively.

Nomination Committee

The Nomination Committee was established by the Board on 21st March 2012. The Committee consists of the three Independent Non-Executive Directors, the Managing Director and the Deputy Managing Director.

The Committee met once in 2012. Attendance of individual Directors is listed below:

	Attendance
Mr. Rudolf Bischof – Chairman of the Nomination Committee	1/1
Mr. Hung Ching Yung, JP	1/1
Mr. Lincoln C. K. Yung, JP	1/1
Mr. James Julius Bertram	1/1
Mr. Robert Tsai To Sze	1/1

The principal duty of the Committee is to review the structure, size and composition of the Board annually, to make recommendations regarding any proposed changes to complement the corporate strategy and to identify individuals suitably qualified to become Board members. The Committee also assesses the independence of Independent Non-Executive Directors and makes recommendations to the Board on the appointment or re-appointment of Directors in particular the Chairman and the Chief Executive. In doing this, professional advice may be sought if considered necessary.

Audit Committee

The Audit Committee was established by the Board on 25th September 1998. The Committee consists of the three Independent Non-Executive Directors, Mr. Robert Tsai To Sze FCA, FCPA, Mr. Rudolf Bischof and Mr. James Julius Bertram.

The Committee met twice in 2012. Attendance of individual Directors is listed below:

	Attendance
Mr. Robert Tsai To Sze FCA, FCPA – Chairman of the Audit Committee	2/2
Mr. Rudolf Bischof	1/2
Mr. James Julius Bertram	2/2

Audit Committee *(cont'd)*

By reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and the code provision C3.3 (the "Code Provision") of the Code on Corporate Governance Practices, Appendix 14 of the Listing Rules, written terms of reference (the "Terms") which describe the authority and duties of the Audit Committee were prepared and adopted by the Board of the Company on 30th June 2005. The amendments to the Code Provision which became effective on 1st January 2009 were adopted and incorporated in the Terms by the Board of the Company on 15th April 2009 and further revised on 18th May 2012. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures.

During 2012, the Audit Committee met to review the 2011 annual report and accounts and the 2012 interim report and accounts and held discussions with the external auditor regarding financial reporting, compliance, scope of audit, policies for maintaining independence, thereafter reporting to the Board.

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interests of shareholders. The Board is responsible for reviewing the internal control policies and has delegated the day-to-day management of operational risks to the Executive Directors.

During the year, independent consultants were hired to assist the Board to perform a high-level risk assessment of the Group, which entails identifying, analysing and assessing key risks faced by the Group. By reference to a globally recognised internal controls framework, the high-level risk assessment covered all key controls including financial, compliance and operational controls and risk management systems.

The Company has also established a whistleblowing policy under which employees who have concerns about any suspected misconduct or malpractice can raise their concern in confidence without fear of reprisal or victimisation.

Directors' Responsibility Statement

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Group's annual results and interim results are announced in a timely manner.

The independent auditor's report states the auditors' reporting responsibilities.

Company Secretary

The Company Secretary ensures that board procedures are followed and is responsible for advising the Board on governance matters and facilitating the induction and professional development of Directors.

Shareholders' Rights

The Company established a shareholder communication policy in order to provide shareholders with information about the Company and to enable them to exercise their rights in an informed manner.

The Company has also established procedures on how Shareholders can convene a special general meeting; procedures for putting forward proposals at a general meeting by a Shareholder and procedures for Shareholders to propose a person for election as a Director. Details of these procedures and policy are available under the Corporate Governance section of the Company's website at http://www.nanyangholdingslimited.com.

On behalf of the Board

Rudolf Bischof
Chairman

Hong Kong, 20th March 2013

The Board of Directors of Nanyang Holdings Limited announces that for the year ended 31st December 2012 the Group reported a profit after taxation of HK$559.6 million (2011 restated: profit of HK$211.5 million), an increase of 165%. The current year's profit includes a net gain in fair value of investment properties (including those owned by jointly controlled entities) of HK$483.4 million (2011 restated: net gain of HK$158.9 million), dividend income from The Shanghai Commercial & Savings Bank, Ltd. of approximately HK$41.7 million and gains from investment portfolios of approximately HK$24.1 million. Excluding the net effect from revaluing the investment properties at fair value, the net profit for the year would be HK$76.2 million (2011 restated: profit of HK$52.6 million), an increase of 45%. Earnings per share were HK$13.55 (2011 restated: HK$5.12). The Group's net asset value per share increased by 17%, from HK$70.17 (at 31/12/2011 restated) to HK$82.25 (at 31/12/2012). In October, the Hong Kong Government promulgated a special Buyer's Stamp Duty to curb speculation and clamp down on the prices of residential properties. Hot money from the residential market diverted to non-residential properties whose valuation increased substantially. In February 2013, the Government added more measures to cool off including the non-residential property market. The new regulations may have a negative impact on the future valuation of the Group's investment properties and therefore may adversely affect our 2013 earnings.

The Directors recommend the payment of a final dividend of HK$0.40 per share and a special dividend of HK$0.40 per share, representing a total dividend distribution of approximately HK$33.0 million, an increase of 60% (2011: final dividend of HK$0.40 per share and a special dividend of HK$0.10 per share, representing a total dividend distribution of HK$20.6 million).

Business Review and Prospects

Real Estate

Shanghai

Renovation work, implemented by the new management team, to convert the previous factory site to offices for rental, at Shanghai Sung Nan Textile Co. Ltd. ("Sung Nan"), the joint venture of which the Group owned 65%, progressed on schedule. Marketing of the refurbished buildings began simultaneously. To date, of the total leasable area of 28,159 sq.m., approximately 90% is leased. The main factory building, totalling 21,202 sq.m., has been leased to a Taiwan listed company in the restaurant and wedding banquet business. This should provide Sung Nan with a steady stream of income for several years to come. With the restructuring of this company, it is expected that Sung Nan would become profitable by the end of 2013 and should contribute positively to our Group's earnings.

Business Review and Prospects *(cont'd)*

Real Estate *(cont'd)*

Shanghai *(cont'd)*

Rental activities at the commercial building in Jingan District, Shanghai, which is 33% owned by the Group, continued to be satisfactory. Of the total leasable area of 23,500 sq.m., presently approximately 93% is leased. One of the major tenants has terminated its lease early. This will affect the cash flow of the building. Management is actively looking for new tenants to fill the space.

Shenzhen

Southern Textile Company Limited ("Southern"), the Group's 45% joint venture, continued to report favourable results. Submissions had been made earlier to the Shenzhen authorities for extension of the land use right of the factory building, which expired in January 2013, and is still pending. Also, Southern's shareholders, agreed unanimously to extend the joint venture period for 21 years, to 2034. Presently, of the total leasable area of 18,300 sq.m., approximately 98% is leased. The ground and first floors of the building have been leased to a new tenant with a significant increase in rental. Southern should be able to report higher earnings.

Hong Kong

During the year, with low interest rates and limited supply, property prices climbed to a record high. Occupancy at our building, Nanyang Plaza, improved. Rental levels also increased but were unable to match the corresponding rise in asset prices. Of the 290,000 sq.ft. of industrial/office space the Group holds at Nanyang Plaza, 94.2% is leased. It is our current intention to hold this property long term as it provides steady rental income.

Financial Investments

In the second half of 2012, world equity markets traded higher. Towards the end of the year, data released showed that the recovery of the US economy is on track and the crisis in Europe seemed contained, and equity markets reacted favourably. For the year ended 31st December 2012, the investment portfolios showed a gain of 9.6% with equities comprising 44.1% (of which 31.3% was in US equities), 27.3% was in bonds, 2.9% in alternative investments, 6.8% in commodities and 18.9% in cash. The market value of the portfolios stood at US$34.2 million or approximately HK$265.2 million.

Business Review and Prospects *(cont'd)*

Financial Investments *(cont'd)*

Since the beginning of 2013, world equity markets have continued to trend upwards. During this period, we increased equities and reduced bonds and cash. As at 14th March 2013 the latest practicable date, the portfolios were up by 3.0% and the value stood at US$35.6 million or approximately HK$276.2 million. Equities comprised 57.4% (of which 36.4% was in US equities), 20.6% was in bonds, 2.7% in alternative investments, 6.5% in commodities and 12.8% in cash. The US economy has continued to recover and strengthen. Barring any unforeseen circumstances, our investment portfolios should continue to perform favourably.

The Group's investment in The Shanghai Commercial & Savings Bank, Ltd. ("SCSB") shares, representing approximately 4% of the total issued share capital of SCSB, continued to perform satisfactorily. This investment has been classified under non-current assets as available-for-sale financial assets as there is no intention to dispose of it within 12 months of the annual report date. During the year, the Group received a cash dividend of approximately HK$41.7 million, net of 20% withholding tax, and a stock dividend of 7,123,726 shares from the investment. SCSB has become a public company, but not listed, in Taiwan, since 27th November 2012.

SCSB opened a leasing company, in Shanghai, in October 2012 and a representative office in Bangkok, Thailand at the end of last year. They already have branches in Hong Kong and Vietnam and the Taiwan authorities have also approved the opening of a branch in Singapore and a representative office in Cambodia. The unaudited net income of SCSB for the nine months ended 30th September 2012 was approximately NT$6,839.7 million (2011 same period: net income of approximately NT$5,205.0 million), representing an increase of 31%. Total shareholders equity at 30th September 2012 was approximately NT$87,829.6 million (30/9/11: approximately NT$83,277.2 million), an increase of 5%. (These figures were extracted from the SCSB's website at http://www.scsb.com.tw)

Financial Position

The Group's investment properties with a value of HK$1,603 million (31/12/2011: HK$1,161.8 million) have been mortgaged to a bank to secure general banking facilities of which HK$80 million was utilised as at 31st December 2012 (31/12/2011: HK$118 million). At the end of the year, the Group had net current assets of HK$168.8 million (31/12/2011: HK$110.2 million).

Employees

The Group employed 15 employees as at 31st December 2012. Remuneration is determined by reference to the qualifications and experience of the staff concerned. Salaries and discretionary bonuses are reviewed annually. The Group also provides other benefits including medical cover and provident funds.

On behalf of the Board of Directors, I would like to take this opportunity to thank all the staff for their contribution to the Group.

Rudolf Bischof
Chairman

Hong Kong, 20th March 2013

Independent Auditor's Report to the Shareholders of Nanyang Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Nanyang Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 30 to 99, which comprise the consolidated and company balance sheets as at 31st December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 31st December 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20th March 2013

Consolidated Income Statement

For the Year ended 31st December 2012

	Note	2012 HK$'000	2011 HK$'000 (Restated)
Revenue	5	140,716	118,900
Direct costs	6	(13,313)	(12,561)
Gross profit		127,403	106,339
Administrative expenses	6	(31,618)	(37,717)
Other operating expenses	6	(1,920)	(3,439)
Changes in fair value of investment properties		463,290	155,847
Operating profit		557,155	221,030
Finance costs	8	(1,082)	(807)
Share of profits less losses of jointly controlled entities		22,188	8,553
Profit before income tax		578,261	228,776
Income tax expense	9	(18,629)	(17,257)
Profit attributable to equity holders of the Company		559,632	211,519
Earnings per share (basic and diluted)	11	HK$13.55	HK$5.12
Dividends	12	33,030	20,644

The notes on pages 38 to 99 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the Year ended 31st December 2012

	2012 HK$'000	2011 HK$'000 (Restated)
Profit for the year	559,632	211,519
Other comprehensive income:		
Fair value (losses)/gains on available-for-sale financial assets	(40,987)	124,030
Share of other reserve of a jointly controlled entity	–	3,310
Currency translation differences	1,037	2,607
Other comprehensive income for the year, net of tax	(39,950)	129,947
Total comprehensive income attributable to equity holders of the Company	519,682	341,466

The notes on pages 38 to 99 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31st December 2012

	Note	2012 HK$'000	2011 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,119	1,320
Investment properties	14	1,691,730	1,228,440
Jointly controlled entities	16	212,606	189,716
Available-for-sale financial assets	18	1,342,745	1,386,402
Derivative financial assets	19	–	32
Deferred income tax assets	27	102	103
		3,248,302	2,806,013
Current assets			
Trade and other receivables	20	15,924	13,059
Financial assets at fair value through profit or loss	21	212,093	182,534
Tax recoverable		–	821
Cash and cash equivalents	22	66,722	78,247
		294,739	274,661
Total assets		3,543,041	3,080,674
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	23	4,129	4,129
Other reserves	24	1,144,675	1,184,259
Retained profits	24	2,247,216	1,708,594
Total equity		3,396,020	2,896,982

	Note	2012 HK$'000	2011 HK$'000 (Restated)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	27	21,048	18,819
Derivative financial liabilities	19	–	417
		21,048	19,236
Current liabilities			
Trade and other payables	25	44,813	46,456
Current income tax liabilities		1,160	–
Short term bank loans	26	80,000	118,000
		125,973	164,456
Total liabilities		147,021	183,692
Total equity and liabilities		3,543,041	3,080,674
Net current assets		168,766	110,205
Total assets less current liabilities		3,417,068	2,916,218

The notes on pages 38 to 99 are an integral part of these financial statements.

The financial statements on pages 30 to 99 were approved by the Board of Directors on 20th March 2013 and were signed on its behalf.

Hung Ching Yung
Director

Lincoln C. K. Yung
Director

BALANCE SHEET
As at 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	15	378,782	378,782
Current assets			
Trade and other receivables	20	83,104	55,114
Cash and cash equivalents	22	1,614	1,691
		84,718	56,805
Total assets		463,500	435,587
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	23	4,129	4,129
Other reserves	24	357,112	357,112
Retained profits	24	48,656	44,316
Total equity		409,897	405,557
LIABILITIES			
Current liabilities			
Trade and other payables	25	53,603	30,030
Total equity and liabilities		463,500	435,587
Net current assets		31,115	26,775
Total assets less current liabilities		409,897	405,557

The notes on pages 38 to 99 are an integral part of these financial statements.

The financial statements on pages 30 to 99 were approved by the Board of Directors on 20th March 2013 and were signed on its behalf.

Hung Ching Yung
Director

Lincoln C. K. Yung
Director

Consolidated Statement of Changes in Equity

For the Year ended 31st December 2012

	Note	2012 HK$'000	2011 HK$'000 (Restated)
Balance at 1st January, as previously reported		2,896,982	2,455,776
Adoption of HKAS 12 (Amendment)		–	134,388
Balance at 1st January, as restated		2,896,982	2,590,164
Comprehensive income:			
Profit for the year		559,632	211,519
Other comprehensive income:			
Fair value (losses)/gains on available-for-sale financial assets	24	(40,987)	124,030
Share of other reserve of a jointly controlled entity	24	–	3,310
Currency translation differences	24	1,037	2,607
Total other comprehensive income, net of tax		(39,950)	129,947
Total comprehensive income		519,682	341,466
Transactions with owners:			
Final dividend relating to 2011/2010	24	(16,515)	(16,548)
Special dividend	24	(4,129)	(16,549)
Shares repurchased and cancelled	24	–	(1,551)
Total transactions with owners		(20,644)	(34,648)
Balance at 31st December		3,396,020	2,896,982

The notes on pages 38 to 99 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the Year ended 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Net cash generated from operations	28(a)	3,103	19,571
Interest paid		(1,082)	(807)
Income tax refunded		575	409
Net cash generated from operating activities		2,596	19,173
Cash flows from investing activities			
Purchase of available-for-sale financial assets		–	(123,342)
Proceeds from sales of available-for-sale financial assets		85	142
Purchase of plant and equipment		–	(10)
Proceeds from sales of investment property		–	9,040
Dividend received from a jointly controlled entity, net of tax	28(b)	2,688	2,552
Dividends received from available-for-sale financial assets, net of tax	28(b)	41,838	62,162
Net cash inflow/(outflow) from investing activities		44,611	(49,456)

Consolidated Statement of Cash Flows *(cont'd)*

For the Year ended 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from financing activities			
Repurchase of own shares		–	(1,551)
Dividends paid		(20,644)	(33,097)
Draw down of bank loan		–	88,000
Repayment of bank loan		(38,000)	–
Net cash (outflow)/inflow from financing activities		(58,644)	53,352
Net (decrease)/increase in cash and cash equivalents		(11,437)	23,069
Cash and cash equivalents at 1st January		78,247	55,276
Effect of foreign exchange rate changes		(88)	(98)
Cash and cash equivalents at 31st December		66,722	78,247

The notes on pages 38 to 99 are an integral part of these financial statements.

1 General information

Nanyang Holdings Limited is a limited liability company incorporated in Bermuda. The address of its office in Hong Kong is 1808 St George's Building, 2 Ice House Street, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

The Company and its subsidiaries (together the "Group") engage in property investment and investment holding and trading.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 20th March 2013.

2 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Nanyang Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, derivative financial instruments and financial assets at fair value through profit or loss, which are carried at fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2 Significant accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(a) **Standards, interpretations and amendments to standards that are effective in 2012 and are relevant to the Group's operations**

During the year ended 31st December 2012, the Group has adopted the following amendments to standards which are mandatory for accounting periods beginning on 1st January 2012:

HKAS 12 (Amendment)	Income Taxes
HKFRS 7 (Amendment)	Financial Instruments: Disclosures

Except for the adoption of HKAS 12 (Amendment) described below, the adoption of these amendments does not have significant change to the accounting policies or any significant effect on the results and financial position of the Group.

HKAS 12 (Amendment) requires an entity to measure the deferred income tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendments introduce a rebuttable presumption that an investment property measured at fair value is recovered entirely through sale.

The Group has adopted this amendment and has resulted in a change in accounting policy on the provision of deferred income tax on revaluation of investment properties. Previously, deferred income tax liability was provided at the income tax rates on the valuation of, and the tax bases of, investment properties held under operating leases on the basis that their values would be recovered through use rather than through sale. The Group has investment properties located in Hong Kong where sales proceeds in excess of cost are not taxable, deferred income tax liabilities relating to such investment properties have been reversed. This change in accounting policy is accounted for retrospectively.

The Group has rebutted the sale presumption only for its investment properties located in Mainland China. In Mainland China, investment properties are held by jointly controlled entities. The shareholders of the jointly controlled entities intended to hold these investment properties and recover their values substantially through use rather than sale of the properties. On this basis, the presumption of sale of the investment properties in Mainland China has been rebutted.

2 Significant accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(a) **Standards, interpretations and amendments to standards that are effective in 2012 and are relevant to the Group's operations** *(cont'd)*

The Group has adopted this amendment retrospectively for the financial year ended 31st December 2012 and the comparative figures for 2011 have been restated as disclosed below:

Effect on consolidated balance sheet

	As at 31st December 2011 HK$'000
Decrease in deferred income tax liabilities	159,795
Increase in retained profits	159,795

Effect on consolidated income statement

	Year ended 31st December 2011 HK$'000
Decrease in income tax expense	25,407
Increase in profit attributable to equity holders of the company	25,407
Increase in basic and diluted earnings per share	HK$0.61

2 Significant accounting policies *(cont'd)*

2.1 Basis of preparation *(cont'd)*

(b) **Standards and amendments that are not yet effective and have not been early adopted by the Group**

The following new or revised standards and amendments have been published which are mandatory for the Group's accounting periods beginning on or after 1st January 2013 or later periods but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1st July 2012
HKAS 19 (Amendment)	Employee Benefits	1st January 2013
HKAS 27 (Revised)	Separate Financial Statements	1st January 2013
HKAS 28 (Revised)	Associates and Joint Ventures	1st January 2013
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1st January 2014
HKFRS 9	Financial Instruments	1st January 2015
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 11	Joint Arrangements	1st January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January 2013
HKFRS 13	Fair Value Measurements	1st January 2013
Annual Improvements Project	Annual Improvements 2011	1st January 2013

The Group has not early adopted the above new or revised standards and amendments in the financial statements for the year ended 31st December 2012. The Group has commenced an assessment of their expected impact but is not yet in a position to state whether they will have a material impact on the Group's financial statements.

2 Significant accounting policies *(cont'd)*

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st December.

(a) **Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

2 Significant accounting policies *(cont'd)*

2.2 Consolidation *(cont'd)*

(a) **Subsidiaries** *(cont'd)*

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(b) **Jointly controlled entities**

A jointly controlled entity is a joint venture established/incorporated as a corporation, partnership or other entity in which the ventures have their representative interests and established a contractual arrangement among them to define joint control over the economic activity of the entity.

The Group's interests in jointly controlled entities are accounted for using the equity method from the date on which it becomes a jointly controlled entity. The appropriate adjustments to the investor's share of the profits or losses after acquisition are made to the consolidated financial statements based on their fair values at the date of acquisition.

The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

2 Significant accounting policies *(cont'd)*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The chief operating decision maker has been identified as the Board of Directors. The Board of Directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business prospective.

Segment assets consist primarily of property, plant and equipment, investment properties, available-for-sale financial assets, derivative financial instruments, financial assets at fair value through profit or loss, receivables and operating cash and exclude items such as deferred income tax assets. Segment liabilities comprise operating liabilities and exclude items such as current and deferred income tax liabilities and borrowings. Capital expenditure represents additions to non-current assets other than financial instruments and deferred income tax assets.

2.4 Foreign currency translation

(a) **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's and Group's functional and presentation currency.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2 Significant accounting policies *(cont'd)*

2.4 Foreign currency translation *(cont'd)*

(b) **Transactions and balances** *(cont'd)*

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other operating income/expenses'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(c) **Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates prevailing at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

2 Significant accounting policies *(cont'd)*

2.4 Foreign currency translation *(cont'd)*

(c) **Group companies** *(cont'd)*

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term of 35 years or useful life
Buildings	25 years
Others	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in the income statement.

2 Significant accounting policies *(cont'd)*

2.6 Investment properties

Investment property is defined as property (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business.

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by valuers. Changes in fair values are recorded in the income statement as part of valuation gain or loss in other income.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are at least tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2 Significant accounting policies *(cont'd)*

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

(a) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables in the balance sheet (Note 2.10).

(c) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the balance sheet date.

2 Significant accounting policies *(cont'd)*

2.8 Financial assets *(cont'd)*

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement as gains and losses on financial assets through profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as gains and losses on financial assets through profit or loss when the group's right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences are recognised in the income statement, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

2 Significant accounting policies *(cont'd)*

2.8 Financial assets *(cont'd)*

2.8.2 Recognition and measurement *(cont'd)*

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from available-for-sale financial assets'.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity specific inputs.

2.8.3 Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of receivables is described in Note 2.10.

2.8.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2 Significant accounting policies *(cont'd)*

2.9 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivative instruments which do not qualify for hedge accounting are accounted for at fair value through profit or loss, changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised in the income statement within other operating income/expenses.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less and bank overdrafts, if any. In the consolidated and entity balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.12 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 Significant accounting policies *(cont'd)*

2.12 Current and deferred income tax *(cont'd)*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.13 Employee benefits

(a) **Retirement benefit obligations**

The Group has defined contribution plans. A defined contribution plan is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 Significant accounting policies *(cont'd)*

2.13 Employee benefits *(cont'd)*

(b) **Employee leave entitlements**

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.14 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15 Revenue recognition

(a) **Realised and unrealised gains and losses on investments**

Realised gains and losses on investments are recognised on conclusion of sales contracts. Unrealised gains and losses on investments are recognised on the basis set out in Note 2.8.

(b) **Rental and management fee income**

Rental and management fee income on operating leases are recognised on a straight line basis over the lease periods.

2 Significant accounting policies *(cont'd)*

2.15 Revenue recognition *(cont'd)*

(c) **Dividend income**
Dividend income is recognised when the right to receive payment is established.

(d) **Interest income**
Interest income is recognised on a time proportion basis using the effective interest rate method.

(e) **Commission income**
Commission income is recognised when services are rendered.

2.16 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight line basis over the period of the lease.

2.17 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

2 Significant accounting policies *(cont'd)*

2.18 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability, other than that assumed in a business combination, is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 Financial risk management

The Group's investment activities expose it to various types of risk which are associated with the financial instruments and markets in which it invests. The types of financial risk to which the Group is exposed are market risk (including equity price risk, currency risk and interest rate risk), credit and counterparty risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects it may have on the Group's financial performance.

3.1 Financial risk factors

(a) **Market risk**

(i) **Equity price risk**

The Group's equity securities are exposed to price risk including currency translation difference as they are classified either as available-for-sale financial assets or as financial assets at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

The Group's financial assets at fair value through profit or loss are publicly traded. Had the price of these investments increased/decreased by 5% with all other variables held constant, the post-tax profit for the year ended 31st December 2012 would have been HK$6,847,000 (2011: HK$6,065,000) higher/lower.

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(a) **Market risk** *(cont'd)*

(i) **Equity price risk** *(cont'd)*

The Group's available-for-sale financial assets are mainly unlisted equity securities. Had the price of these investments increased/decreased by 5% with all other variables held constant, the equity would have been HK$67,137,000 (2011: HK$69,320,000) higher/lower.

(ii) **Foreign currency risk**

The Group's exposure to foreign currency risk mainly arises from its investments in securities worldwide, primarily with respect to Euro, Japanese Yen and Australian Dollar. The Group monitors the proportion of its financial investments denominated in non-US/HK dollars.

At 31st December 2012, had the HK dollar weakened/strengthened by 5% against the Euro with all other variables held constant, the post-tax profit for the year ended 31st December 2012 would have been HK$1,407,000 (2011: HK$1,046,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated financial assets at fair value through profit or loss.

At 31st December 2012, had the HK dollar weakened/strengthened by 5% against the Japanese yen with all other variables held constant, the post-tax profit for the year ended 31st December 2012 would have been HK$369,000 (2011: HK$281,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Japanese yen-denominated financial assets at fair value through profit or loss.

At 31st December 2012, had the HK dollar weakened/strengthened by 5% against the Australian Dollar with all other variables held constant, the post-tax profit for the year ended 31st December 2012 would have been HK$71,000 (2011: HK$202,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Australian Dollar-denominated financial assets at fair value through profit or loss.

3 Financial risk management *(cont'd)*

3.1 Financial risk factors *(cont'd)*

(a) **Market risk** *(cont'd)*

(iii) **Interest rate risk**

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities.

The Group's borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2012 and 2011, the Group's borrowings were denominated in HK dollars.

The Group manages its exposure to interest rate risk by maintaining borrowings at a low level.

Had interest rates on borrowings been 1% higher/lower with all other variables held constant, the post-tax profit for the year ended 31st December 2012 would have been HK$800,000 (2011: HK$1,180,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) **Credit and counterparty risk**

The credit and counterparty risk mainly arises from debt securities, deposits and cash and investments placed with banks and financial institutions. The Group has limited its credit exposure by restricting their selection to financial institutions or banks with good credit rating, ranged from A to AA–.

The Group's credit risk concentration of debt securities as at 31st December 2012 and 2011 is analysed below based upon the credit rating of the issuers:

	2012 HK$'000	2011 HK$'000
A to AAA	11,030	19,303
B to BBB	26,425	14,680
Unrated (Note)	34,203	24,285
	71,658	58,268

Note:

The Directors monitor the exposure on unrated assets and considered that the risk of default is minimal.

3 Financial risk management *(cont'd)*
3.1 Financial risk factors *(cont'd)*

(c) **Liquidity risk**

In order to maintain flexibility in funding, the Group has obtained banking facilities.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flows.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000
Group			
At 31st December 2012			
Short term bank loans and interest thereon	80,840	–	–
Trade payables	2,031	–	–
Rental and management fee deposits	4,053	8,147	1,241
Other payables and accruals (less provisions)	24,683	–	–
Amount due to a jointly controlled entity	58	–	–
At 31st December 2011			
Short term bank loans and interest thereon	119,215	–	–
Trade payables	2,189	–	–
Rental and management fee deposits	8,552	2,091	1,352
Other payables and accruals (less provisions)	27,732	–	–
Amount due to a jointly controlled entity	114	–	–
Derivative financial liability	–	417	–
Company			
At 31st December 2012			
Other payables and accruals	53,603	–	–
At 31st December 2011			
Other payables and accruals	30,030	–	–

3 Financial risk management *(cont'd)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

During 2011 and 2012, the Group's strategy was to maintain borrowings at a low level.

As at 31st December 2011 and 2012, the debt to equity ratio is summarised as follows:

	2012 HK$'000	2011 HK$'000 (Restated)
Total borrowings (Note 26)	80,000	118,000
Total equity	3,396,020	2,896,982
Debt to equity ratio	2.4%	4.1%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

3 Financial risk management *(cont'd)*

3.3 Fair value estimation *(cont'd)*

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2012.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss	212,093	–	–	212,093
Available-for-sale financial assets	1,342,745	–	–	1,342,745
Total assets	1,554,838	–	–	1,554,838

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2011.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets at fair value through profit or loss	182,534	–	–	182,534
Derivative financial assets	–	32	–	32
Available-for-sale financial assets	1,386,402	–	–	1,386,402
Total assets	1,568,936	32	–	1,568,968
Liability				
Derivative financial liabilities	–	417	–	417

3 Financial risk management *(cont'd)*

3.3 Fair value estimation *(cont'd)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

4 Critical accounting estimates and judgments

Estimate of fair value of investment properties

The Group's investment properties, which are leased to third parties, were revalued at 31st December 2012 by an independent professional property valuer, Prudential Surveyors International Limited, on an open market value basis with reference to recent transaction prices of units in the same building and/or similar properties.

Estimate of fair value of non listed available-for-sale financial assets

The fair value of non listed available-for-sale financial assets is determined by the quoted bid price in the over-the-counter market. The Group considers this price represents actual and regularly occurring market transactions on an arm's length basis and reflect the fair value of the investment.

5 Revenue and segment information

Revenue recognised during the year comprises the following:

	2012 HK$'000	2011 HK$'000
Gross rental income from investment properties	49,065	45,409
Net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss	22,284	(16,575)
Dividend income from financial assets at fair value through profit or loss	1,787	1,882
Dividend income from available-for-sale financial assets	56,595	77,544
Interest income	1,968	2,059
Management fee income from investment properties	8,752	8,347
Other	265	234
	140,716	118,900

The Group is organised on a worldwide basis into two main business segments:

Real estate	–	investment in and leasing of industrial/ office premises
Financial investments	–	holding and trading of investment securities

There are no sales or other transactions between the business segments.

5 Revenue and segment information *(cont'd)*

The segment results for the year ended 31st December 2012 are as follows:

	Real estate HK$'000	Financial investments HK$'000	Total HK$'000
Total revenue	57,817	82,899	140,716
Segment result	480,806	76,349	557,155
Finance costs			(1,082)
Share of profits of jointly controlled entities (Note)	22,188	–	22,188
Profit before income tax			578,261
Income tax charge			(18,629)
Profit attributable to equity holders of the Company			559,632
Depreciation	45	156	201
Revaluation gain on investment properties	463,290	–	463,290

5 Revenue and segment information *(cont'd)*

The segment results for the year ended 31st December 2011 are as follows:

	Textile HK$'000	Real estate HK$'000	Financial investments HK$'000	Total HK$'000 (Restated)
Total revenue	–	53,756	65,144	118,900
Segment result	–	183,228	37,802	221,030
Finance costs				(807)
Share of (losses)/profits of jointly controlled entities (Note)	(412)	8,965	–	8,553
Profit before income tax				228,776
Income tax charge				(17,257)
Profit attributable to equity holders of the Company				211,519
Capital expenditure	–	10	–	10
Depreciation	–	50	168	218
Revaluation gain on investment properties	–	155,847	–	155,847

Reportable segments' assets and liabilities are reconciled to total assets and liabilities below. Segment assets exclude interests in jointly controlled entities and deferred income tax assets, and segment liabilities exclude deferred income tax liabilities and short term bank loans which are managed on a central basis.

5 Revenue and segment information *(cont'd)*

The segment assets and liabilities as at 31st December 2012 are as follows:

	Real estate HK$'000	Financial investments HK$'000	Total HK$'000
Segment assets	1,692,621	1,637,712	3,330,333
Interests in jointly controlled entities (Note)	212,606	–	212,606
Unallocated assets			102
			3,543,041
Segment liabilities	43,242	2,731	45,973
Unallocated liabilities			101,048
			147,021

The segment assets and liabilities as at 31st December 2011 are as follows:

	Textile HK$'000	Real estate HK$'000	Financial investments HK$'000	Total HK$'000 (Restated)
Segment assets	–	1,229,227	1,661,628	2,890,855
Interests in jointly controlled entities (Note)	41,744	147,972	–	189,716
Unallocated assets				103
				3,080,674
Segment liabilities	–	44,375	2,498	46,873
Unallocated liabilities				136,819
				183,692

5 Revenue and segment information (cont'd)

Note:

Pursuant to the board resolution signed on 16th September 2011, the board of directors of Shanghai Sung Nan Textile Co., Ltd, a jointly controlled entity of the Group, decided to lease its existing site to third parties for rental income. The lease operation has been commenced in 2012 and the business operation was therefore changed from textile segment to real estate segment.

The Company is incorporated in Bermuda and is domiciled in Hong Kong. The Group's revenue from Hong Kong and from other countries for the year ended 31st December is analysed as follows:

	2012 HK$'000	2011 HK$'000
Hong Kong	61,637	49,473
United States of America	11,409	(239)
Europe	7,267	(3,295)
Southeast Asia	3,376	(3,315)
Taiwan	56,423	76,911
Other countries	604	(635)
	140,716	118,900

At 31st December 2012, the total of non-current assets other than financial instruments and deferred income tax assets located/operated in Hong Kong and in other places are as follows:

	2012 HK$'000	2011 HK$'000
Hong Kong	1,692,028	1,228,783
Mainland China	213,427	190,693
	1,905,455	1,419,476

6 Expenses by nature

	2012 HK$'000	2011 HK$'000
Auditor's remuneration	1,315	1,254
Depreciation	201	218
Direct operating expenses arising from investment properties that		
– generated rental income	2,400	1,871
– did not generate rental income	139	88
Employee benefit expense (including directors' emoluments) (Note 7)	24,600	29,365
Loss on disposal of investment property	–	287
Management fee expense in respect of investment properties	9,360	9,110
Operating lease payments on land and buildings	2,860	2,786
Realised/unrealised fair value loss on derivative financial instruments	12	194
Net exchange loss	288	323
Other	5,676	8,221
Total direct costs, administrative expenses and other operating expenses	46,851	53,717

7 Employee benefit expense

	2012 HK$'000	2011 HK$'000
Wages and salaries	24,207	28,971
Retirement benefit costs		
– defined contribution plans (Note a)	393	394
	24,600	29,365

7 Employee benefit expense *(cont'd)*

Notes:

(a) **Retirement scheme – defined contribution plans**

The Group contributes to a defined contribution retirement scheme which is available to certain Hong Kong senior employees ("Senior Staff Scheme"). With effect from 1st December 2000, a mandatory provident fund scheme has been set up for the other eligible employees of the Group in Hong Kong. Contributions to the schemes by the Group are made at a certain percentage of basic monthly salary. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions to the Senior Staff Scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There was no contribution forfeited during the year (2011: Nil). Contributions totaling HK$28,000 (2011: HK$25,000) were payable to the schemes at the year end, which are included in trade and other payables.

(b) **Directors' and senior management's emoluments**

The remuneration of every Director for the year ended 31st December 2012 is set out below:

Name of Director	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Other benefits# HK$'000	Employer's contributions to retirement scheme HK$'000	Total HK$'000
Mr. Rudolf Bischof	360	–	–	–	–	360
Mr. Yun Cheng Wang	8	2,093	–	164	4	2,269
Mr. Hung Ching Yung	24	4,563	1,667	295	14	6,563
Mr. Lincoln C. K. Yung	24	4,563	1,667	230	14	6,498
Mr. James Julius Bertram	300	–	–	–	–	300
Mr. Robert Tsai To Sze	360	–	–	–	–	360
Mr. John Con-sing Yung	7	–	–	–	–	7
Ms. Jennie Chen	24	1,573	363	–	218	2,178
Total	1,107	12,792	3,697	689	250	18,535

7 Employee benefit expense *(cont'd)*

(b) **Directors' and senior management's emoluments** *(cont'd)*

The remuneration of every Director for the year ended 31st December 2011 is set out below:

Name of Director	Fees	Salaries	Discretionary bonuses	Other benefits#	Employer's contributions to retirement scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Rudolf Bischof	360	–	–	–	–	360
Mr. Yun Cheng Wang	24	4,563	1,667	331	12	6,597
Mr. Hung Ching Yung	24	4,563	1,667	289	12	6,555
Mr. Lincoln C. K. Yung	24	4,563	1,667	237	12	6,503
Mr. James Julius Bertram	300	–	–	–	–	300
Mr. Robert Tsai To Sze	360	–	–	–	–	360
Ms. Jennie Chen	24	1,573	363	–	218	2,178
Total	1,116	15,262	5,364	857	254	22,853

\# Other benefits include accommodation, medical expenses and motor vehicle expenses.

(c) **Five highest paid individuals**

The five highest paid individuals in the Group include 4 (2011: 4) Directors whose emoluments are reflected in the analysis presented in Note 7(b) above. The emoluments payable to the remaining individual during the year are as follows:

	2012	2011
	HK$'000	HK$'000
Salaries, housing and other allowances, benefits in kind	1,788	1,791
Contributions to retirement scheme	14	12
	1,802	1,803

8 Finance costs

	2012 HK$'000	2011 HK$'000
Interest on bank loans and overdrafts	1,082	807

9 Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. Withholding tax on dividends receivable from overseas investments including jointly controlled entities has been calculated at the rates of taxation prevailing in the countries in which the investments operate.

The amount of taxation charged to the consolidated income statement represents:

	2012 HK$'000	2011 HK$'000 (Restated)
Current income tax		
Hong Kong profits tax	1,422	261
Withholding tax	15,051	15,655
Over provision in prior years	(15)	(1)
	16,458	15,915
Deferred income tax (Note 27)	2,171	1,342
	18,629	17,257

The Group's share of income tax expense of jointly controlled entities for the year amounted to HK$9,562,000 (2011: HK$4,265,000) and is included in the consolidated income statement as share of profits less losses of jointly controlled entities.

9 Income tax expense *(cont'd)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the profits tax rate of Hong Kong where the Group operates, and the difference is set out below:

	2012 HK$'000	2011 HK$'000 (Restated)
Profit before income tax	578,261	228,776
Less: Share of profits less losses of jointly controlled entities	(22,188)	(8,553)
	556,073	220,223
Calculated at a tax rate of 16.5% (2011: 16.5%)	91,752	36,337
Income not subject to tax	(90,059)	(39,272)
Expenses not deductible for tax purposes	1,401	3,684
Over provision for current income tax in prior years	(15)	(1)
Effect of unrecognised temporary differences	6	4
Utilisation of previously unrecognised tax losses	(209)	–
Withholding tax on dividend income from overseas investments and undistributable profits from jointly controlled entities	15,753	16,103
Reversal of previously recognised income tax assets	–	402
Income tax expense	18,629	17,257

10 Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$24,984,000 (2011: HK$71,877,000).

11 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011 (Restated)
Earnings (HK$'000)		
Earnings for the purpose of calculating the basic and dilutive earnings per share (Note)	559,632	211,519
Number of shares (thousands)		
Weighted average number of ordinary shares in issue	41,287	41,350
Earnings per share (HK$)		
Basic and dilutive	13.55	5.12

Note: The Company has no dilutive potential ordinary shares and basic earnings per share are equal to diluted earnings per share.

12 Dividends

	2012 HK$'000	2011 HK$'000
2012 proposed final dividend of HK$0.40 (2011: HK$0.40) per share	16,515	16,515
2012 proposed special dividend of HK$0.40 (2011: HK$0.10) per share	16,515	4,129
	33,030	20,644

At a meeting held on 20th March 2013 the Directors proposed a final dividend of HK$0.40 per share and a special dividend of HK$0.40 per share representing a total dividend distribution of approximately HK$33.0 million. These proposed dividends are to be approved by the shareholders at the Annual General Meeting on 31st May 2013 and are not reflected as dividends payable in these financial statements.

13 Property, plant and equipment

Group	Properties HK$'000	Others HK$'000	Total HK$'000
Year ended 31st December 2012			
Opening net book amount	1,287	33	1,320
Depreciation	(187)	(14)	(201)
Closing net book amount	1,100	19	1,119
At 31st December 2012			
Cost	6,089	3,455	9,544
Accumulated depreciation and impairment losses	(4,989)	(3,436)	(8,425)
Net book amount	1,100	19	1,119
Year ended 31st December 2011			
Opening net book amount	1,486	42	1,528
Additions	–	10	10
Depreciation	(199)	(19)	(218)
Closing net book amount	1,287	33	1,320
At 31st December 2011			
Cost	6,089	3,455	9,544
Accumulated depreciation and impairment losses	(4,802)	(3,422)	(8,224)
Net book amount	1,287	33	1,320

13 Property, plant and equipment *(cont'd)*

The Group's properties at their net book value are analysed as follows:

	2012 HK$'000	2011 HK$'000
In Hong Kong, held on:		
Leases of between 10 and 50 years	279	310
Outside Hong Kong, held on:		
Leases of over 50 years	298	320
Leases of between 10 and 50 years	523	657
	821	977
	1,100	1,287

14 Investment properties

	Group 2012 HK$'000	Group 2011 HK$'000
At fair value		
Opening balance at 1st January	1,228,440	1,081,920
Disposal	–	(9,327)
Fair value changes	463,290	155,847
Closing balance at 31st December	1,691,730	1,228,440

14 Investment properties *(cont'd)*

The basis of the valuation of investment properties is fair value being the amount for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2012 and 2011 valuations were based on independent assessments made by Prudential Surveyors International Limited, an independent professionally qualified property valuer.

The Group's investment properties with an aggregate carrying value of HK$1,603,000,000 (2011: HK$1,161,800,000) have been mortgaged to a bank to secure general banking facilities of which HK$80,000,000 (2011: HK$118,000,000) was utilised as at 31st December 2012 (Note 26).

The Group's investment properties are held in Hong Kong on leases of between 10 and 75 years.

15 Investment in subsidiaries

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	378,782	378,782

Particulars of the subsidiaries are included in Note 32 to the financial statements.

16 Jointly controlled entities

	Group 2012 HK$'000	Group 2011 HK$'000
Share of net assets	202,278	179,388
Equity loan to a jointly controlled entity (Note a)	10,328	10,328
	212,606	189,716

The following is a list of the jointly controlled entities indirectly held by the Company as at 31st December 2012:

Name	Place of establishment/ incorporation and kind of legal entity	Principal activities and place of operation	Attributable interest to the Group: Equity interest	Profit sharing	Voting power
China Able Limited	British Virgin Islands, limited liability company	Investment holding in the People's Republic of China	33.33%	33.33%	33.33%
Changyu (Shanghai) Real Estate Management Co Ltd	People's Republic of China, limited liability company	Property investment in the People's Republic of China	33.33%	33.33%	33.33%
Shanghai Sung Nan Textile Co., Ltd (Note b)	People's Republic of China, limited liability company	Property investment in the People's Republic of China	64.68%	64.68%	57%
Southern Textile Company Limited	People's Republic of China, limited liability company	Property investment in the People's Republic of China	45%	45%	43%

16 Jointly controlled entities *(cont'd)*

Notes:

(a) The loan to a jointly controlled entity is equity in nature, unsecured, interest-free and has no fixed terms of repayment.

(b) Since unanimous consent of all the parties sharing control is required for resolution of important strategic decisions including financial and operating, the investment was classified as jointly controlled entity even though the Group has a 57% voting interest.

The following amounts represent the Group's aggregate share of the assets and liabilities, and results of the jointly controlled entities:

	2012 HK$'000	2011 HK$'000
Assets		
Non-current assets	316,032	265,798
Current assets	30,119	38,368
	346,151	304,166
Liabilities		
Non-current liabilities	111,621	106,255
Current liabilities	32,252	18,523
	143,873	124,778
Net assets	202,278	179,388
Revenue	52,694	28,493
Profit after income tax	22,188	8,553

17 Financial instruments by category

Group

	Loans and receivables HK$'000	Assets at fair value through profit and loss HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
31st December 2012				
Assets as per consolidated balance sheet				
Available-for-sale financial assets	–	–	1,342,745	1,342,745
Financial assets at fair value through profit or loss	–	212,093	–	212,093
Trade and other receivables (excluding deposits and prepayments)	8,522	–	–	8,522
Cash and cash equivalents	66,722	–	–	66,722
	75,244	212,093	1,342,745	1,630,082

17 Financial instruments by category *(cont'd)*

Group

	Loans and receivables HK$'000	Assets at fair value through profit and loss HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
31st December 2011				
Assets as per consolidated balance sheet				
Available-for-sale financial assets	–	–	1,386,402	1,386,402
Derivative financial assets	–	32	–	32
Financial assets at fair value through profit or loss	–	182,534	–	182,534
Trade and other receivables (excluding deposits and prepayments)	6,126	–	–	6,126
Cash and cash equivalents	78,247	–	–	78,247
	84,373	182,566	1,386,402	1,653,341

17 Financial instruments by category *(cont'd)*

Group

	Liabilities at fair value through profit and loss HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
31st December 2012			
Liabilities as per consolidated balance sheet			
Short term bank loans	–	80,000	80,000
Trade and other payables (excluding statutory provisions, rental and management fee deposits)	–	26,771	26,771
	–	106,771	106,771
31st December 2011			
Liabilities as per consolidated balance sheet			
Derivative financial liabilities	417	–	417
Short term bank loans	–	118,000	118,000
Trade and other payables (excluding statutory provisions, rental and management fee deposits)	–	30,071	30,071
	417	148,071	148,488

17 Financial instruments by category *(cont'd)*

Company

	Loans and receivables	
	2012	2011
	HK$'000	HK$'000
Assets as per balance sheet		
Trade and other receivables	83,104	55,114
Cash and cash equivalents	1,614	1,691
	84,718	56,805

Company

	Financial liabilities at amortised cost	
	2012	2011
	HK$'000	HK$'000
Liabilities as per balance sheet		
Trade and other payables	53,603	30,030

18 Available-for-sale financial assets

	Group	
	2012	2011
	HK$'000	HK$'000
At 1st January	1,386,402	1,140,386
Additions	–	123,342
Disposals	(85)	(142)
Exchange loss	(2,585)	(1,214)
Net fair value (losses)/gain recognised in equity	(40,987)	124,030
At 31st December	1,342,745	1,386,402

18 Available-for-sale financial assets *(cont'd)*

	Group 2012 HK$'000	Group 2011 HK$'000
Listed equity securities – Hong Kong	7,629	6,023
Unlisted securities		
– Equity securities	1,333,973	1,379,274
– Venture capital funds	1,143	1,105
	1,335,116	1,380,379
	1,342,745	1,386,402

The available-for-sale financial assets are denominated in the following currencies:

	Group 2012 HK$'000	Group 2011 HK$'000
New Taiwan dollars	1,333,973	1,379,274
Others	8,772	7,128
	1,342,745	1,386,402

At 31st December 2012, available-for-sale financial assets of HK$697,000 (2011: HK$697,000) were impaired and fully provided for.

At 31st December 2012, the carrying amount of interests in the following company exceed 10% of the total assets of the Group.

Name	Place of incorporation	Principal activities	Particulars of issued share capital	Group equity interest
The Shanghai Commercial & Savings Bank, Ltd.	Taiwan	Commercial banking business	3,715,791,615 ordinary shares of NT$10 each	4.0%

The fair value of all securities is based on their current bid prices in an active market.

19 Derivative financial assets/liabilities – Group

	Assets		Liabilities	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Held for trading – forward exchange options/ (forward exchange contracts)	–	32	–	(417)

The maximum exposure to credit risk at the reporting date was the carrying value of the derivative financial assets in the consolidated balance sheet.

In 2011, the notional principal amounts of outstanding foreign exchange options and forward foreign exchange contracts were totally US$10,000,000 (equivalent to HK$77,400,000). The contracts expired in June 2012.

20 Trade and other receivables

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Trade receivables (Note c)	243	737	–	–
Other receivables, prepayments and deposits	7,402	6,933	247	257
Amounts due from				
– a subsidiary (Note a)	–	–	82,857	54,857
– a jointly controlled entity (Note a)	8,279	5,389	–	–
	15,924	13,059	83,104	55,114

20 Trade and other receivables *(cont'd)*

Notes:

(a) The amounts due from a subsidiary and a jointly controlled entity are unsecured, interest free and repayable on demand.

(b) The carrying amounts of trade and other receivables approximate their fair values.

(c) The Group does not grant any credit term to customers. Trade receivables represent rental income receivable from tenants. Rental income is charged in advance to the tenants at the beginning of each month which becomes due upon the issue of invoices. As at the respective balance sheet dates, the trade receivables were all past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. At 31st December 2012, the aging analysis of the trade receivables is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within 30 days	217	737
31–60 days	26	–

There is no concentration of credit risk with respect to trade receivables.

21 Financial assets at fair value through profit or loss

	Group	
	2012	2011
	HK$'000	HK$'000
Listed equity securities:		
– Hong Kong	21,157	17,936
– outside Hong Kong	119,277	106,330
	140,434	124,266
Listed debt securities outside Hong Kong	71,659	58,268
Market value of listed securities	212,093	182,534

21 Financial assets at fair value through profit or loss *(cont'd)*

The above financial assets at fair value through profit or loss are held for trading purposes. They are presented within the section on operating activities as part of changes in working capital in the consolidated statement of cash flows (Note 28).

Changes in fair values of financial assets at fair value through profit or loss are recorded in revenue in the consolidated income statement (Note 5).

The fair value of all equity securities is based on their current bid prices in an active market.

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as financial assets at fair value through profit or loss.

The financial assets at fair value through profit or loss are denominated in the following currencies:

	Group	
	2012	2011
	HK$'000	HK$'000
Euro	28,139	20,912
Japanese yen	7,376	5,612
Hong Kong dollars	21,157	17,936
United States dollars	154,001	134,029
Others	1,420	4,045
	212,093	182,534

22 Cash and cash equivalents

	Group		Company	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Cash at bank and on hand	66,722	78,247	1,614	1,691

The carrying amounts of cash and cash equivalents are mainly denominated in United States dollars and Hong Kong dollars.

Maximum exposure to credit risk is HK$66,722,000 (2011: HK$78,247,000).

23 Share capital

	Number of shares	Amount HK$'000
Authorised:		
Shares of HK$0.10 each		
At 31st December 2011 and 31st December 2012	60,000,000	6,000
Issued and fully paid:		
Shares of HK$0.10 each		
At 1st January 2011	41,371,299	4,137
Repurchase of own shares and shares cancelled (Note a)	(84,000)	(8)
At 31st December 2011, 1st January 2012 and 31st December 2012	41,287,299	4,129

Note:

(a) The Company repurchased 65,000 and 19,000 of its own shares on 26th September 2011 and 11th October 2011 respectively at total consideration of HK$1,550,700 through purchases on The Stock Exchange of Hong Kong Limited pursuant to the general mandate granted to the Directors at the annual general meeting held on 20th May 2011.

24 Reserves

Group

	Contributed surplus HK$'000	Available-for-sale investments reserve HK$'000	Property revaluation reserve HK$'000	Capital reserve on consolidation HK$'000	General reserve HK$'000	Statutory and other reserves HK$'000	Translation reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2012, as previously reported	2,459	1,038,390	22,360	1,000	76,000	17,190	25,989	871	1,548,799	2,733,058
Adoption of HKAS 12 (Amendment)	–	–	–	–	–	–	–	–	159,795	159,795
Balance as at 1st January 2012, as restated	2,459	1,038,390	22,360	1,000	76,000	17,190	25,989	871	1,708,594	2,892,853
Fair value gains on available-for-sale investments	–	(40,987)	–	–	–	–	–	–	–	(40,987)
Currency translation differences	–	–	–	–	–	–	1,037	–	–	1,037
2011 final dividend	–	–	–	–	–	–	–	–	(16,515)	(16,515)
2011 special dividend	–	–	–	–	–	–	–	–	(4,129)	(4,129)
Profit for the year	–	–	–	–	–	–	–	–	559,632	559,632
Transfer to statutory reserves of jointly controlled entities	–	–	–	–	–	366	–	–	(366)	–
At 31st December 2012	2,459	997,403	22,360	1,000	76,000	17,556	27,026	871	2,247,216	3,391,891

24 Reserves *(cont'd)*

Group

	Contributed surplus HK$'000	Available-for-sale investments reserve HK$'000	Property revaluation reserve HK$'000	Capital reserve on consolidation HK$'000	General reserve HK$'000	Statutory and other reserves HK$'000	Translation reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2011, as previously reported	2,459	914,360	22,360	1,000	76,000	13,534	23,382	863	1,397,681	2,451,639
Adoption of HKAS 12 (Amendment)	–	–	–	–	–	–	–	–	134,388	134,388
Balance as at 1st January 2011, as restated	2,459	914,360	22,360	1,000	76,000	13,534	23,382	863	1,532,069	2,586,027
Fair value gains on available-for-sale investments	–	124,030	–	–	–	–	–	–	–	124,030
Currency translation differences	–	–	–	–	–	–	2,607	–	–	2,607
Shares repurchased and cancelled (Note 23)	–	–	–	–	–	–	–	8	(1,551)	(1,543)
2010 final dividend	–	–	–	–	–	–	–	–	(16,548)	(16,548)
2010 special dividend	–	–	–	–	–	–	–	–	(16,549)	(16,549)
Profit for the year	–	–	–	–	–	–	–	–	211,519	211,519
Share of other reserve of a jointly controlled entity	–	–	–	–	–	3,310	–	–	–	3,310
Transfer to statutory reserves of jointly controlled entities	–	–	–	–	–	346	–	–	(346)	–
At 31st December 2011 (Restated)	2,459	1,038,390	22,360	1,000	76,000	17,190	25,989	871	1,708,594	2,892,853

24 Reserves *(cont'd)*

Company

	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2012	356,241	871	44,316	401,428
Profit for the year	–	–	24,984	24,984
2011 final dividend (Note 12)	–	–	(16,515)	(16,515)
2011 special dividend (Note 12)	–	–	(4,129)	(4,129)
At 31st December 2012	356,241	871	48,656	405,768
At 1st January 2011	356,241	863	7,087	364,191
Profit for the year	–	–	71,877	71,877
Shares repurchased and cancelled (Note 23)	–	8	(1,551)	(1,543)
2010 final dividend (Note 12)	–	–	(16,548)	(16,548)
2010 special dividend (Note 12)	–	–	(16,549)	(16,549)
At 31st December 2011	356,241	871	44,316	401,428

Pursuant to a group reorganisation in 1989, the Company acquired all the issued shares of Nanyang Cotton Mill Limited ("NCML") in exchange for the Company's new shares issued. The Group's contributed surplus represents the difference between the nominal value of NCML's shares and the nominal value of the Company's shares issued pursuant to the group reorganisation less subsequent distribution. The Company's contributed surplus represents the difference between the nominal value of the Company's shares issued and the consolidated net assets of NCML acquired under the group reorganisation as at the date of acquisition less subsequent distribution.

24 Reserves *(cont'd)*

Statutory reserves are created in accordance with the terms of the joint venture agreements of the jointly controlled entities established in the People's Republic of China and are required to be retained in the financial statements of the entities for specific purposes. The statutory reserves at 31st December 2012 comprise statutory surplus reserve of HK$7,123,000 (2011: HK$6,940,000) and enterprise development reserve of HK$7,123,000 (2011: HK$6,940,000) which are appropriated from the retained profits of the jointly controlled entities.

General reserve arose from transfers from retained profits and has no specific purpose.

25 Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables (Note a)	2,031	2,189	–	–
Rental and management fee deposits	13,441	11,995	–	–
Other payables and accruals	29,283	32,158	2,050	1,343
Amount due to a jointly controlled entity (Note b)	58	114	–	–
Amount due to a subsidiary (Note b)	–	–	51,553	28,687
	44,813	46,456	53,603	30,030

25 Trade and other payables *(cont'd)*

Notes:

(a) At 31st December 2012, the aging analysis of the trade payables is as follows:

	Group 2012 HK$'000	Group 2011 HK$'000
Within 30 days	1,691	1,849
31–60 days	340	340
	2,031	2,189

(b) The amounts due to a jointly controlled entity and a subsidiary are unsecured, interest free and have no fixed terms of repayment.

(c) The carrying amounts of trade and other payables approximate their fair values.

26 Short term bank loans

The short term bank loans as at 31st December 2012 were secured by the Group's investment properties (Note 14) and bore interest at 0.75% per annum over 1, 2 or 3 months Hong Kong Interbank Offered Rate (HIBOR). The loans were denominated in Hong Kong dollars and had an effective interest rate of 1.01% (2011: 1.03%) per annum at 31st December 2012. The carrying amounts of the loans approximated their fair values.

27 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2011: 16.5%).

	Group 2012 HK$'000	Group 2011 HK$'000 (Restated)
Deferred income tax assets		
– to be recovered after more than 12 months	101	102
– to be recovered within 12 months	1	1
	102	103
Deferred income tax liabilities		
– to be settled after more than 12 months	(19,581)	(18,328)
– to be settled within 12 months	(1,467)	(491)
	(21,048)	(18,819)
	(20,946)	(18,716)

The gross movement on the deferred income tax account is as follows:

	Group 2012 HK$'000	Group 2011 HK$'000 (Restated)
At 1st January, as previously reported	(18,716)	(151,684)
Adoption of HKAS 12 (Amendment)	–	134,388
Balance at 1st January, as restated	(18,716)	(17,296)
Tax charged to the consolidated income statement (Note 9)	(2,171)	(1,342)
Exchange translation difference	(59)	(78)
At 31st December	(20,946)	(18,716)

27 Deferred income tax *(cont'd)*

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred income tax liabilities:

	Group			
	Accelerated tax depreciation HK$'000	Fair value gains on investment properties HK$'000	Undistributed profits of jointly controlled entities HK$'000	Total HK$'000
At 1st January 2012, as previously reported	(15,957)	(159,795)	(2,862)	(178,614)
Adoption of HKAS 12 (Amendment)	–	159,795	–	159,795
At 1st January 2012, as restated	(15,957)	–	(2,862)	(18,819)
Exchange translation difference	–	–	(59)	(59)
Charged to the consolidated income statement	(1,468)	–	(702)	(2,170)
At 31st December 2012	(17,425)	–	(3,623)	(21,048)
At 1st January 2011, as previously reported	(15,466)	(134,388)	(2,336)	(152,190)
Adoption of HKAS 12 (Amendment)	–	134,388	–	134,388
At 1st January 2011, as restated	(15,466)	–	(2,336)	(17,802)
Exchange translation difference	–	–	(78)	(78)
Charged to the consolidated income statement	(491)	–	(448)	(939)
At 31st December 2011	(15,957)	–	(2,862)	(18,819)

27 Deferred income tax *(cont'd)*

Deferred income tax assets:

	Group		
	Accelerated accounting depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1st January 2011	104	402	506
Charged to the consolidated income statement	(1)	(402)	(403)
At 31st December 2011 and 1st January 2012	103	–	103
Charged to the consolidated income statement	(1)	–	(1)
At 31st December 2012	102	–	102

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Group did not recognise deferred income tax assets of HK$1,732,000 (2011: HK$895,000) in respect of tax losses amounting to HK$10,500,000 (2011: HK$5,422,000). These tax losses have no expiry date.

28 Notes to the consolidated statement of cash flows

(a) Reconciliation of operating profit to net cash generated from operations:

	2012 HK$'000	2011 HK$'000
Operating profit	557,155	221,030
Dividend income from available-for-sale financial assets	(56,595)	(77,544)
Exchange translation differences	84	(226)
Depreciation	201	218
Loss on disposal of investment property	–	287
Changes in fair value of investment properties	(463,290)	(155,847)
Operating profit before working capital changes	37,555	(12,082)
Increase in trade and other receivables	(2,865)	(3,305)
(Increase)/decrease in financial assets at fair value through profit or loss	(29,559)	34,102
Decrease in derivative financial assets	32	113
(Decrease)/increase in derivative financial liabilities	(417)	80
(Decrease)/increase in trade and other payables	(1,643)	663
Net cash generated from operations	3,103	19,571

(b) Dividends received from jointly control entity and available-for-sale financial assets, net of tax:

	2012 HK$'000	2011 HK$'000
Dividends received	59,577	80,096
Withholding tax paid	(15,051)	(15,655)
	44,526	64,441

29 Commitments

(a) Capital commitments

At 31st December 2012, the Company had no capital commitment (2011: HK$Nil).

	Group 2012 HK$'000	Group 2011 HK$'000
The Group's share of capital commitments of jointly controlled entities is as follows:		
Authorised but not contracted for	3,217	–
Contracted but not provided for	4,008	8,798
	7,225	8,798

(b) Commitments under operating leases

At 31st December, the Group had future aggregate minimum lease payments under non-cancellable operating leases for office premises as follows:

	Group 2012 HK$'000	Group 2011 HK$'000
Not later than one year	294	2,356
Later than one year and not later than five years	–	294
	294	2,650

30 Future rental receivables

At 31st December, minimum lease rentals under non-cancellable operating leases of the investment properties not recognised in the financial statements as receivables are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	40,143	37,127
Later than one year but not later than 5 years	47,446	48,988
	87,589	86,115

31 Related-party transactions

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

Key management compensation

	2012	2011
	HK$'000	HK$'000
Salaries and other short term employee benefits	19,046	24,390
Contributions to retirement schemes	264	266
	19,310	24,656

32 Subsidiaries

Details of the subsidiaries as at 31st December 2012 are as follows:

	Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Particulars of issued share capital	Group equity interest 2012	Group equity interest 2011
	Bright Honest Investment Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	50,000 shares of US$1 each	100%	100%
	Cottage Investments Co SA	Panama, limited liability company	Hong Kong	Investment holding	100 common shares without par value issued at US$10 each and 100 common shares of US$10 each	100%	100%
+	Culvert Investments Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	100 shares of US$1 each	100%	100%
	East Coast Investments Ltd	Hong Kong, limited liability company	Hong Kong	Investment trading	2 ordinary shares of US$1 each	100%	100%
	Highriver Estates Ltd	Hong Kong, limited liability company	Hong Kong	Property investment	2 ordinary shares of HK$1 each	100%	100%
	Homestead Investments Inc	Liberia, limited liability company	Hong Kong	Inactive	1 share without par value issued at US$10,000	100%	100%
	Infinity Peace Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding	100 shares without par value issued at US$1 each	100%	100%
	Mepal International Ltd	Hong Kong, limited liability company	Hong Kong	Property investment	3 ordinary shares of HK$1 each	100%	100%
	Merry Co Inc	Liberia, limited liability company	The People's Republic of China	Property Holding	1 share without par value issued at US$1,000	100%	100%

32 Subsidiaries *(cont'd)*

Name	Place of incorporation and kind of legal entity	Place of operation	Principal activities	Particulars of issued share capital	Group equity interest 2012	Group equity interest 2011
Nanyang Cotton Mill Ltd	Hong Kong, limited liability company	Hong Kong	Investment holding and property investment	25,000,000 ordinary shares of HK$1 each	100%	100%
Nanyang Industrial (China) Ltd	Hong Kong, limited liability company	Hong Kong	Investment holding	2 ordinary shares of HK$1 each	100%	100%
Nanyangetextile.com Ltd	Hong Kong, limited liability company	Hong Kong	Inactive	2 ordinary shares of HK$1 each	100%	100%
Peninsular Inc	Liberia, limited liability company	Hong Kong	Investment holding	1 share without par value issued at HK$10,000	100%	100%
Peninsular Yarn and Fabric Merchandising Ltd	Hong Kong, limited liability company	Hong Kong	Property investment	1,000 ordinary shares of HK$1 each	100%	100%
Velden Ltd	British Virgin Islands, limited liability company	Hong Kong	Investment holding and trading	10,000 ordinary shares of US$1 each	100%	100%

\+ Subsidiary held directly by the Company.

Schedule of Principal Properties

As at 31st December 2012 and 2011

Investment properties

Description	Lot number	Type	Lease term	Group's Interest
Units 2006-2008, 20/F, Fortress Tower, 250 King's Road	IL 8416 Hong Kong	Commercial	Medium term leasehold	100%
Nanyang Plaza 57 Hung To Road (Various units with a total floor area of 289,375 sq ft and all car parks)	KTIL 46	Commercial/ Industrial	Medium term leasehold	100%
Units A-D, 5/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po	DD 11 Lot No.1637	Industrial	Medium term leasehold	100%