SHOUGANG CONCORD GRAND (GROUP) LIMITED

Stock Code : 730

ANNUAL REPORT 2012

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS
Li Shaofeng *(Chairman)*
Luo Zhenyu *(Managing Director)*
Wang Tian *(Deputy Managing Director)*
Yuan Wenxin *(Deputy Managing Director)*
Leung Shun Sang, Tony *(Non-executive Director)*
Tam King Ching, Kenny
(Independent Non-executive Director)
Zhou Jianhong
(Independent Non-executive Director)
Yip Kin Man, Raymond
(Independent Non-executive Director)

EXECUTIVE COMMITTEE
Li Shaofeng *(Chairman)*
Luo Zhenyu
Wang Tian
Yuan Wenxin

AUDIT COMMITTEE
Tam King Ching, Kenny *(Chairman)*
Zhou Jianhong
Yip Kin Man, Raymond

NOMINATION COMMITTEE
Li Shaofeng *(Chairman)*
Leung Shun Sang, Tony
Tam King Ching, Kenny
Zhou Jianhong
Yip Kin Man, Raymond

REMUNERATION COMMITTEE
Tam King Ching, Kenny *(Chairman)*
Li Shaofeng
Leung Shun Sang, Tony
Zhou Jianhong
Yip Kin Man, Raymond

COMPANY SECRETARY
Cheng Man Ching

AUDITOR
Deloitte Touche Tohmatsu

PRINCIPAL REGISTRARS
HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE
Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

PRINCIPAL OFFICE IN HONG KONG
Rooms 1101-04, 11th Floor
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

STOCK CODE
730

WEBSITE
www.shougang-grand.com.hk

DIRECTORS' BIOGRAPHIES

Mr. Li Shaofeng, aged 46, holds a bachelor degree in Automation from University of Science and Technology Beijing. Mr. Li was appointed an Executive Director and the Chairman of the Company in May 2010 and is the chairman of each of the Executive Committee and the Nomination Committee, and a member of the Remuneration Committee of the Company. He joined Shougang Corporation, the ultimate holding company of Shougang Holding (Hong Kong) Limited ("Shougang Holding"), in 1989 and is the vice chairman and managing director of Shougang Holding and a director of Wheeling Holdings Limited ("Wheeling"). Each of Shougang Holding and Wheeling is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"). Mr. Li is the managing director of Shougang Concord International Enterprises Company Limited ("Shougang International"), the chairman of each of Shougang Fushan Resources Group Limited ("Shougang Resources"), Shougang Concord Technology Holdings Limited ("Shougang Technology") and Global Digital Creations Holdings Limited ("GDC") and Shougang Concord Century Holdings Limited ("Shougang Century"). He is also a non-executive director of Sinocop Resources (Holdings) Limited, a Hong Kong listed company. Mr. Li is a non-executive director of Mount Gibson Iron Limited ("Mount Gibson"), a company listed on the Australian Securities Exchange, and was an alternate director to Mr. Cao Zhong, an ex-director of Mount Gibson, from November 2011 to February 2012. He has extensive experience in management of, and investments in, listed companies, sino-foreign joint ventures and steel industry.

A service contract was entered into between Mr. Li and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Li is entitled to a monthly salary of HK$150,000 or such higher salary and discretionary bonus as may be determined by the board of directors of the Company (the "Board") from time to time. For the financial year ended 31 December 2012, Mr. Li's monthly salary is HK$150,000. Such salary was determined with reference to Mr. Li's experience and duties, as well as the then prevailing market conditions. Since January 2013, Mr. Li has voluntarily waived his salary.

DIRECTORS' BIOGRAPHIES

Mr. Luo Zhenyu, aged 43, graduated from Tianjin University and Graduate School, the Chinese Academy of Social Sciences with a bachelor degree in technology and a doctor degree in economics, respectively. Mr. Luo was appointed an Executive Director and the Managing Director of the Company in May 2010 and is a member of the Executive Committee of the Company. He was a deputy managing director of Shougang International from January 2005 to May 2010. Mr. Luo has extensive experience in corporate investment.

A service contract was entered into between Mr. Luo and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Luo is entitled to a monthly salary of HK$180,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2012, Mr. Luo's monthly salary is HK$180,000 and his discretionary bonus is HK$180,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Luo's individual performance.

Mr. Wang Tian, aged 57, senior economist. He holds a PhD degree in economics. Mr. Wang was appointed an Executive Director of the Company in March 2004 and is currently the Deputy Managing Director of the Company and a member of the Executive Committee of the Company. He has extensive experience in the field of financial management. Mr. Wang had been awarded certificate and special allowance from the Government of the People's Republic of China as a commendation for his outstanding contribution in developing the financial business in Mainland China.

A service contract was entered into between Mr. Wang and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Wang is entitled to a monthly salary of HK$120,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2012, Mr. Wang's monthly salary is HK$120,000 and his discretionary bonus is HK$120,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Wang's individual performance.

DIRECTORS' BIOGRAPHIES

Mr. Yuan Wenxin, aged 43, holds a bachelor degree in law and a post-graduate diploma in finance from Hunan University Law School and an EMBA degree from China Europe International Business School (CEIBS). Mr. Yuan was appointed an Executive Director of the Company in August 2005 and is currently the Deputy Managing Director of the Company and a member of the Executive Committee of the Company. He was an assistant general manager of Shougang Holding and a director of Shougang Technology. Mr. Yuan has extensive experience in financial investment and corporate restructuring.

A service contract was entered into between Mr. Yuan and a wholly-owned subsidiary of the Company for a term of three years commencing on 1 January 2011. Under the service contract, Mr. Yuan is entitled to a monthly salary of HK$120,000 or such higher salary and discretionary bonus as may be determined by the Board from time to time. For the financial year ended 31 December 2012, Mr. Yuan's monthly salary is HK$120,000 and his discretionary bonus is HK$120,000. Such salary and bonus were determined with reference to the then prevailing market conditions, the performance of the Company as well as Mr. Yuan's individual performance.

Mr. Leung Shun Sang, Tony, aged 70, holds a bachelor degree of commerce from the Chinese University of Hong Kong and a master degree in business administration from New York State University. Mr. Leung was appointed a Non-executive Director of the Company in July 1995 and is a member of each of the Nomination Committee and the Remuneration Committee of the Company. He is also a non-executive director of each of Shougang International, Shougang Resources, Shougang Century, Shougang Technology and GDC. Mr. Leung had worked in Citibank N.A. and W.I. Carr Sons & Co. (Overseas) in his early years and he was the managing director of CEF Group. He has over 40 years of experience in securities and banking business, investment, financial markets, corporate strategy and corporate management.

An engagement letter was entered into with Mr. Leung for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Leung is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2012, the director's fee of Mr. Leung is HK$190,000. For the financial year ending 31 December 2013, the director's fee of Mr. Leung will be HK$190,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Leung. Such director's fees were determined with reference to Mr. Leung's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Mr. Tam King Ching, Kenny, aged 64. Mr. Tam was appointed an Independent Non-executive Director of the Company in February 1996 and is the chairman of each of the Audit Committee and the Remuneration Committee, as well as a member of the Nomination Committee of the Company. He is a practising Certified Public Accountant in Hong Kong. Mr. Tam is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. He is serving as a member of each of the Restructuring and Insolvency Faculty Executive Committee, the Small and Medium Practitioners Leadership Panel, the Practice Review Committee and the Insolvency SD Vetting Committee in the Hong Kong Institute of Certified Public Accountants. Mr. Tam is a Past President of The Society of Chinese Accountants and Auditors. He also serves as an independent non-executive director of five other listed companies on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), namely, CCT Telecom Holdings Limited, Kingmaker Footwear Holdings Limited, Starlite Holdings Limited, Van Shung Chong Holdings Limited and West China Cement Limited which was delisted from the Alternative Investment Market of the London Stock Exchange plc on 23 August 2010. Mr. Tam was an independent non-executive director of North Asia Strategic Holdings Limited from September 2004 to February 2013.

An engagement letter was entered into with Mr. Tam for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Tam is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2012, the director's fee of Mr. Tam is HK$240,000. For the financial year ending 31 December 2013, the director's fee of Mr. Tam will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Tam. Such director's fees were determined with reference to Mr. Tam's experience and duties as well as the then prevailing market conditions.

DIRECTORS' BIOGRAPHIES

Ms. Zhou Jianhong, aged 47, graduated from Peking University with a master degree in economic law. Ms. Zhou was appointed an Independent Non-executive Director of the Company in September 2004 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. She is a practising solicitor in Hong Kong.

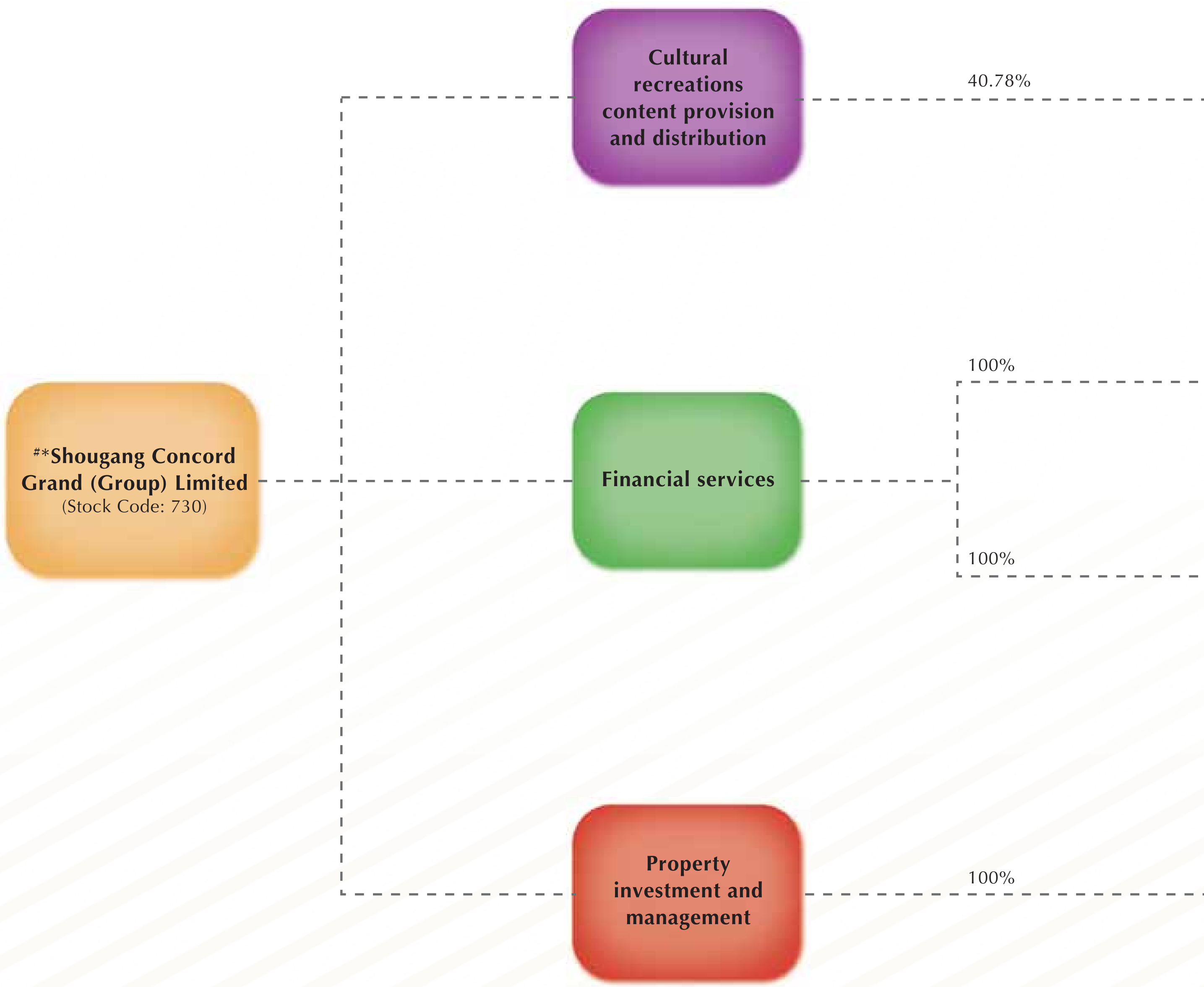
An engagement letter was entered into with Ms. Zhou for a term of three years commencing on 1 January 2011. Under the engagement letter, Ms. Zhou is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2012, the director's fee of Ms. Zhou is HK$240,000. For the financial year ending 31 December 2013, the director's fee of Ms. Zhou will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Ms. Zhou. Such director's fees were determined with reference to Ms. Zhou's experience and duties as well as the then prevailing market conditions.

Mr. Yip Kin Man, Raymond, aged 66. Mr. Yip was appointed an Independent Non-executive Director of the Company in January 2007 and is a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company. He is also an independent non-executive director of Shougang Century. Mr. Yip is a practising solicitor, notary public and Attesting Officer appointed by the Ministry of Justice of the PRC.

An engagement letter was entered into with Mr. Yip for a term of three years commencing on 1 January 2011. Under the engagement letter, Mr. Yip is entitled to a director's fee as may be determined by the Board from time to time. For the financial year ended 31 December 2012, the director's fee of Mr. Yip is HK$240,000. For the financial year ending 31 December 2013, the director's fee of Mr. Yip will be HK$240,000 for a full year which will be paid in proportion to the actual length of services provided by Mr. Yip. Such director's fees were determined with reference to Mr. Yip's experience and duties as well as the then prevailing market conditions.

MAIN OPERATIONAL STRUCTURE

As at 31 December 2012



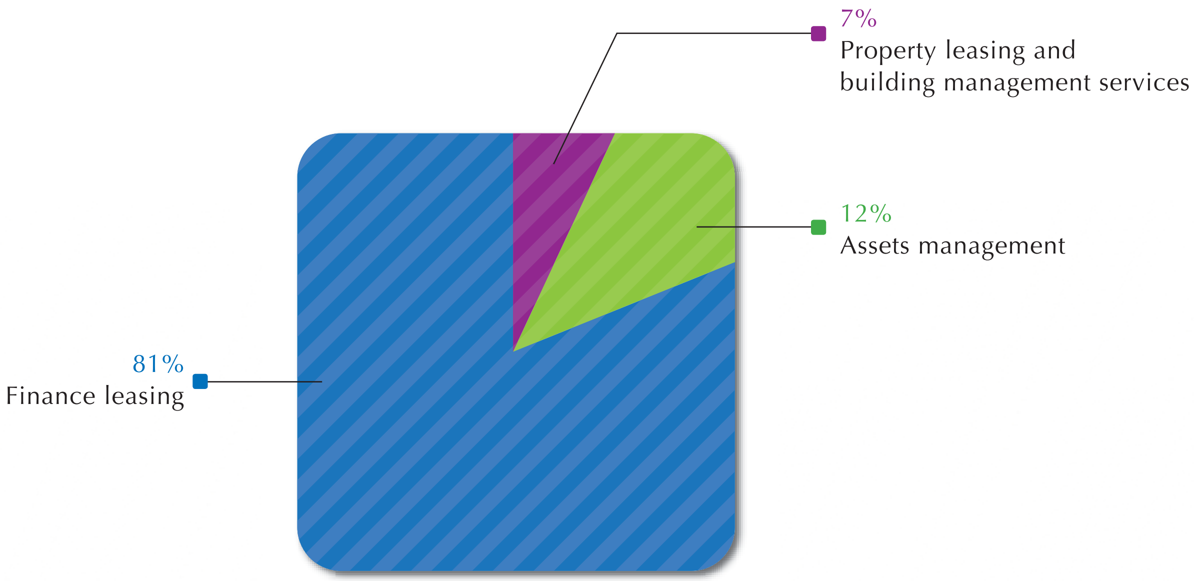
MAIN OPERATIONAL STRUCTURE

Notes:

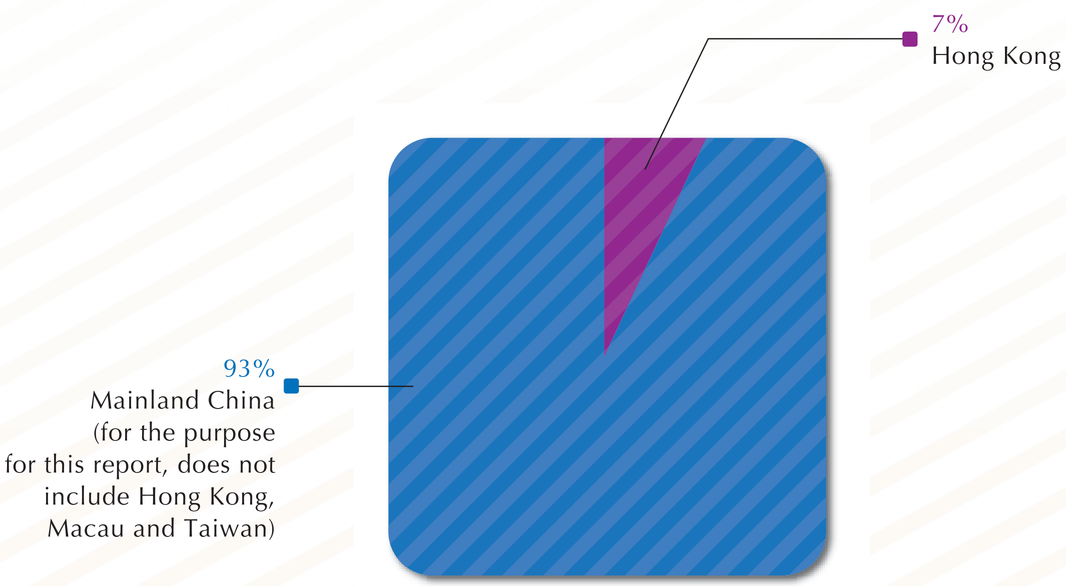
#	Listed company
*	Chinese company name for identification purpose only
Δ	Attributable interest held by Shougang Concord Grand (Group) Limited
^	Interests only refer to voting shares

FINANCIAL HIGHLIGHTS

TURNOVER BY PRINCIPAL ACTIVITY FOR THE YEAR 2012



TURNOVER BY GEOGRAPHICAL LOCATION FOR THE YEAR 2012



CHAIRMAN'S STATEMENT

I am pleased to present that the Group recorded a profit attributable to shareholders of approximately HK$2,024,000. Our shareholders' funds stood at HK$845,456,000 representing HK$0.73 per share. 2012 was a year of optimizing firm foundation for the Group.

In the year of 2012, the European debt crisis and the double dip recession in Euro zone economies had slowed down the global economic growth remarkably. Even though the major economies had launched loose monetary policies, the global economic recovery remained slow. Being affected by the reduced exports of the developed countries, the growth momentum for the emerging economies in Asia has slowed down. Looking ahead to 2013, the effect of European debt crisis will likely to remain and will continue to affect the developed economies with the global economies remaining full of complexity and uncertainty. Based on the expectation of continued stable economic growth in Mainland China ("Mainland China", for the purpose of this report, does not include Hong Kong, Macau and Taiwan), proactive fiscal policy and stable monetary policy will continued to carry out for promoting change in economic growth methods. Our Group will also continue to seek progress while ensuring stability for intensification of core value and grasping new business opportunity.

The Group always upholds a prudent philosophy of good governance, with emphasis on risk management, attends to maintain excellent assets quality, stability and financial resources. At the same time, based on effective risk management, the Group has been proactively seeking for core business returns and exploring new business opportunities by deployment of development carefully. According to market demands, the Group will focus on the development of innovative financial services, through the integration of financial and industrial needs, providing supporting financial services to enterprises with an aim to enlarge the Group's financial service scale.

For finance leasing, changes in the Mainland China deposits and lending rates together with the controlled funds flow have resulted in uncertainty for the leasing business in 2012. In response to market changes, the management continued to carry out industrial specialization and leasing professionalization to maintain stable growth in the leasing business for the Group. Looking to the future, the finance leasing division will expand the mode and level for the application of finance leasing flexibly so as to promote leasing service efficiency and enlarge its business scale. At the same times, the management will continue to monitor credit risks cautiously to ensure sustainable healthy development.

For assets management, facing the era of co-existence of a slowdown in the global economic recovery and high inflation, market demand for assets management is significant. Facing a fluctuating market environment, market and investors proactively seeking assets capable to hedge against inflation and allocating different assets with an aim to lowering risk, its presents huge room for development for the Group. The Group will capture such market opportunities proactively to line up market investment demand and industrial development opportunity for broadening related business and business opportunities in order to harness the financial and market rewards.

CHAIRMAN'S STATEMENT

Grasping the strong rally of the Hong Kong property market at the right time, the Group had disposed certain investment properties in Hong Kong (including residential properties, commercial unit and industrial units) in the past 2 years which realized capital gains into cash flow and provide rooms to optimize the investment property portfolio of the Group. The Group will continue to monitor the changes in the property market and will look for potential investment project and investment opportunities.

Contrasted to the significant one-off disposal gain made by the Group's associated company, Global Digital Creations Holdings Limited ("GDC"), last year, share of profits from GDC recorded a significant drop this year. The management expects GDC will generate a rewarding return to the Group.

Looking to 2013, the global economy will continue to move along the track of low growth. Although the global economic outlook remains uncertain and full of challenges, we are confident that we would be able to tackle the challenges going forward. The Group will actively capture investment opportunities associated with the huge domestic demand in Mainland China by devoting more resources in exploring innovative financial products that could be provided, optimizing the Group's financial services industry structure and implementing timely measures to fine tune our development direction so as to enhance shareholders value and maintain sustainable long-term growth.

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers, and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all directors, management and staff for their hard work and dedication throughout the year.

Li Shaofeng
Chairman

Hong Kong, 27 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The Group recorded profit of approximately HK$2,024,000 for the year ended 31 December 2012 attributable to owners of the Company, represented a decrease of approximately 98% when compared with that of profits approximately HK$112,978,000 for the year ended 31 December 2011 attributable to owners of the Company. Drop in profits was mainly attributable to the decrease in share of profits from associated companies and the slowed growth in the fair value of the Group's investment properties. Revenue of the Group for the year ended 31 December 2012 was approximately HK$55,534,000 represented a decrease of approximately 18% when compared with that of approximately HK$67,505,000 for the year of 2011. The decrease was mainly attributable to the reduced income from the finance lease segment and decrease in rental income from the property leasing and building management services segment. The Group returned a gross profit of approximately HK$20,565,000 for the year ended 31 December 2012, representing a gross profit margin of approximately 37%, which is a slight improvement when compared with the gross profit margin for the year 2011. Basic earnings per share for the year ended 31 December 2012 was HK0.18 cents (2011: HK9.81 cents).

Revenue of the Group for the year ended 31 December 2012 was approximately HK$55,534,000, represented a decrease of approximately 18% when compared with that of approximately HK$67,505,000 for the year of 2011. The decrease was mainly attributable to the decrease in income from the finance lease segment by approximately HK$10,446,000 and the decrease in income from the property leasing and building management services segment by approximately HK$2,823,000.

Cost of sales for the year ended 31 December 2012 amounted to approximately HK$34,969,000, represented a decrease of approximately 21% when compared with the year 2011. The decrease was mainly attributed by finance lease segment in line with the decrease in income.

The Group made a gross profit of approximately HK$20,565,000 for the year ended 31 December 2012, representing a gross profit margin of approximately 37%, which is a slight improvement when comparing with the gross profit margin of 35% for the year 2011.

Other income for the year ended 31 December 2012 amounted to approximately HK$8,109,000 (2011: HK$5,487,000), representing an increase of approximately 48% over the year 2011. The increase was mainly due to an increase in interest income and dividend income.

Administrative expenses for the year ended 31 December 2012 amounted to approximately HK$34,182,000 (2011: HK$48,425,000), representing a decrease of approximately 29% when compared with the year ended 31 December 2011. The decrease was mainly due to the decrease in compliance and professional service fees for the development of the finance leasing business and the decreased staff costs.

For the year ended 31 December 2012, share of profits from associated companies amounted to approximately HK$24,659,000 (2011: HK$166,521,000) and impairment loss on interests in an associate amounted to HK$30,000,000 (2011: HK$66,994,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Property Investment and Management

During the year, revenue from the property leasing and building management services segment decreased by 43% to approximately HK$3,668,000 (2011: HK$6,491,000), while the segment recorded a profit of approximately HK$16,513,000 (2011: HK$69,120,000). The significant decrease in revenue from the property leasing and building management services segment was mainly attributed to the sale of bulk properties during 2012. During the year, Hong Kong property market remains prosperous. However, the relatively high value of properties significantly slowed the growth in the result of this segment. The Group recorded an increase in fair value of investment properties of approximately HK$13,600,000 (2011: fair value increase of HK$65,055,000).

Capturing market opportunities, the Group disposed of certain investment properties in the past 2 years (including residential, commercial and industrial units) so as to adjust the combination and quality of the investment properties portfolio. The Group will continue to monitor market changes and seek investment opportunities. The Group expected to receive stable cash flow from rental income and expected that the investment properties would continue to contribute stable cash return to the Group in the foreseeable future.

Finance leasing

During the year, revenue from the finance leasing segment decreased by approximately 19% to HK$44,949,000 (2011: HK$55,395,000), while the segment recorded a profit of approximately HK$8,315,000 (2011: HK$190,000). The decrease in revenue from the finance leasing segment was mainly attributed to the decrease in interest-bearing finance lease balances resulted from the completion of finance lease projects and early settlement of finance lease projects during the year. The improved segmental results were mainly attributed to no provision for doubtful debts for finance lease receivables made during the year.

The Group adhered to a prudent risk management policy, with the finance leasing segment continuously carrying out rigorous and regular review of credit risk over all the existing and new finance leasing clients. The Group will continue to adopt a careful and prudent credit risk management strategy and endeavor to exercise its best efforts in the recovery of impaired receivables.

In response to the fluctuated and unbalanced credit environment in Mainland China and the changing international economic environment, based on the ever strengthening and improving risk control mechanism, the finance leasing segment insisted on optimizing management system, enriching business team to solidify existing clients and proactively explore customers with good quality so as to promote an expanded business scale and increase overall revenue.

BUSINESS REVIEW AND OUTLOOK (continued)

Assets Management

During the year, the assets management segment recorded revenue of approximately HK$6,917,000 (2011: HK$5,619,000) while the segment recorded a profit of approximately HK$484,000 (2011: HK$189,000). The assets management segment achieved stable business growth and generated stable income from its brand management service.

Relying on the good business base and network built up in the past several years in Mainland China, the Group will pay close attention to the economic development in Mainland China by tracking industries with good growth potential, capturing opportunity to develop new projects, promoting positive interaction among projects and enriching the assets management business at the same time.

Corporate Strategy

The Group's corporate strategy is divided into two main components: business development and risks management infrastructure.

For business development, based on the continued optimisation and improvement on business procedures and management system to enrich business strength, the Group will devote more resources to existing prominent business sector – finance leasing for promoting business scale extension and specialization. Meanwhile, we will take full advantage of our cross boarder business network among overseas and Mainland China targeting to provide supporting financial services to enterprises and further explore innovative financial services products with an aim to boosting the development of the Group's core and new business and achieving maximised synergies.

For risks management infrastructure, prudent and effective risk management can help to explore long-term investment value and served as the cornerstone for the Group's sustainable growth. Focusing on business development while the Group will continue to strengthen its risk management infrastructure to reduce risk and loss at the same time.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

The Group aimed to maintain stable funding sources and financing is arranged to match business requirements and cash flows. The financial leverage of the Group as at 31 December 2012 as compared to 31 December 2011 is summarized below:

HK$'000	**31 December 2012**	31 December 2011 (Restated)
Total borrowings		
Current borrowings	**217,995**	414,350
Non-current borrowings	**241,099**	248,322
sub-total	**459,094**	662,672
Total cash		
Bank balances and cash	**316,267**	291,868
Structured deposits	**12,500**	13,580
Restricted bank deposits	**31,970**	25,926
sub-total	**360,737**	331,374
Net borrowings	**98,357**	331,298
Total equity	**846,217**	837,198
Total assets	**1,370,503**	1,572,252
Financial leverage		
Net debt to total equity	**12%**	40%
Net debt to total assets	**7%**	21%
Current ratio	**242%**	173%

As at 31 December 2012, the Group had bank balances and cash of approximately HK$316,267,000 (31 December 2011: HK$291,868,000), structured deposits of approximately HK$12,500,000 (31 December 2011: HK$13,580,000) and restricted bank deposits of approximately HK$31,970,000 (31 December 2011:HK$25,926,000) which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The increase was mainly from net cash inflow from operating activities of approximately HK$104,190,000, net proceeds from disposal of assets classified as held for sale of approximately HK$118,312,000 and netting off with the net bank loans repaid of approximately HK$210,314,000.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES (continued)

As at 31 December 2012, the Group's borrowings amounted to approximately HK$459,094,000, of which approximately HK$217,995,000 were repayable within twelve months from 31 December 2012 and approximately HK$241,099,000 were repayable after twelve months from 31 December 2012. During the year, the Group obtained new bank borrowings of approximately HK$184,624,000 for the finance leasing business of the Group. All loans bore interest at market rates.

CAPITAL STRUCTURE

The equity attributable to owners of the Company amounted to approximately HK$845,456,000 as at 31 December 2012 (31 December 2011: HK$836,470,000). The increase was mainly due to the profits for the year ended 31 December 2012 attributable to owners of the Company of approximately HK$2,024,000 and exchange difference arising on translation of approximately HK$6,962,000 in total. The Company did not issue any new shares during the year under review. The issued share capital of the Company was HK$11,522,000 (represented by 1,152 million ordinary shares).

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT

The Group had no material acquisitions, disposals and significant investment during the year ended 31 December 2012.

CHARGE ON ASSETS

As at 31 December 2012, the Group has the following charge on assets:

(i) The Group's investment properties with an aggregate carrying value of approximately HK$88,400,000 were pledged to banks to secure for bank borrowings with an outstanding amount of approximately HK$29,262,000.

(ii) The Group's finance lease receivables with a carrying value of approximately HK$438,513,000 were pledged to banks to secure for bank borrowings with an outstanding amount of approximately HK$429,832,000.

(iii) There were new bank deposits of approximately HK$31,970,000 restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowings of approximately HK$242,591,000.

FOREIGN EXCHANGE EXPOSURE

The normal operations and investments of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign currency exposures. As at 31 December 2012, the Group has no significant foreign exchange exposure.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 December 2012.

EMPLOYEES

As at 31 December 2012, the Group employed 46 (31 December 2011: 41) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund, discretionary bonus and employees share option scheme are also available to employee of the Group. Remuneration packages are reviewed either annually or through special increment.

During the year ended 31 December 2012, the Company and its subsidiaries has not paid or committed to pay to any individual any amount as an inducement to join or upon joining the Company and/or its subsidiaries.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency.

CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices (the "Former Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") was revised to, and renamed as, Corporate Governance Code (the "Revised Code") from 1 April 2012 (collectively, the "CG Code"). The Company has complied with the code provisions of the Former Code during the period from 1 January 2012 to 31 March 2012 and the Revised Code during the period from 1 April 2012 to 31 December 2012.

BOARD OF DIRECTORS

Composition

The Board currently comprises a total of eight Directors, being four Executive Directors, one Non-executive Director and three Independent Non-executive Directors. The list of Directors is set out in the section headed "Report of the Directors" of this annual report. In addition, an updated list of the Directors and their roles and functions is published on the websites of the Stock Exchange and the Company respectively.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Company. The Directors' biographical information is set out in the section headed "Directors' Biographies" of this annual report.

The Directors give sufficient time and attention to the affairs of the Company and its subsidiaries (the "Group"). All Directors are required to disclose to the Company at the time of their appointment and annually the number and the nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved.

The Board members have no financial, business, family or other material/relevant relationships with each other.

The Board includes a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a sufficient independent element on the Board, which can effectively exercise independent judgement.

The Non-executive Directors are of sufficient number and calibre for their views to carry weight. The functions of Non-executive Directors include:

- bringing an independent judgement at Board meetings;

- taking the lead where potential conflicts of interests arise;

BOARD OF DIRECTORS (continued)

Composition (continued)

- serving on Board committees if invited; and

- scrutinising the Company's performance and monitoring performance reporting.

The Non-executive Directors (including Independent Non-executive Directors) have made a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. They give the Board and the committees on which they serve the benefit of their skills, expertise, varied backgrounds and qualifications through regular attendance and active participation.

Composition of the Board is disclosed, and the Independent Non-executive Directors are identified, in all corporate communications to shareholders.

Role and function of the Board and the management

The Board is responsible for overall strategic formulation and performance monitoring of the Group. It delegates day-to-day operations of the Company to the Executive Committee and senior management within the control and authority framework set by the Board. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee. Further details of these committees are set out in this report.

Board meetings

The Board meets regularly and holds at least four Board meetings a year. Additional meetings will be arranged, if and when required. The Directors can attend meetings in person or through electronic means of communication in accordance with the bye-laws of the Company (the "Bye-laws").

The Company Secretary assists the Chairman in drawing up the agenda of each Board meeting and each Director may request inclusion of matters in the agenda. Generally, at least 14-day notice of a regular Board meeting is given and the Company aims at giving reasonable notice for all other Board meetings. The Company also aims at sending the agenda and the accompanying board papers, which are prepared in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it, to all Directors at least 3 days before the intended date of a Board meeting. Where queries are raised by Directors, prompt and full responses will be given if possible.

There has been procedure in place to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses. The Board shall resolve to, upon request, provide separate independent professional advice to Directors to assist them perform their duties to the Company.

BOARD OF DIRECTORS (continued)

Board meetings (continued)

The Company Secretary is responsible for taking minutes of Board meetings and Board committee meetings, draft and final versions of which would be sent to Directors for comments and records respectively, within a reasonable time after each meeting. Minutes are recorded in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views (if any) expressed. Minutes of Board meetings and Board committees meetings are kept by the Company Secretary and are open for inspection by any Director/committee member.

If a substantial shareholder or a Director has a conflict of interest in a matter (including material transaction with connected persons) which the Board has determined to be material, the matter will be dealt with by a physical Board meeting, rather than a written resolution.

Except for those circumstances permitted by the Bye-laws and all applicable laws, rules and regulations, a Director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration must abstain from voting on the relevant resolution and such Director shall not be counted for quorum.

Attendance records

During the financial year ended 31 December 2012, the Directors have made active contribution to the affairs of the Group and four physical Board meetings were held to consider, among other things, various projects contemplated by the Group and to review and approve the interim results and annual results of the Group.

Details of the Directors' attendances in 2012 are as follows:

	Number of meeting(s) attended/eligible to attend
Executive Directors	
Li Shaofeng *(Chairman)*	4/4
Luo Zhenyu	4/4
Wang Tian	4/4
Yuan Wenxin	4/4
Non-executive Director	
Leung Shun Sang, Tony	4/4
Independent Non-executive Directors	
Tam King Ching, Kenny	4/4
Zhou Jianhong	4/4
Yip Kin Man, Raymond	4/4

BOARD OF DIRECTORS (continued)

Access to information

The Board is supplied with sufficient explanation and information by the management to enable the Board to make an informed assessment of financial and other information put before it for approval. The management provides all Board members with monthly updates which give a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties. Where any Director requires more information than is volunteered by the management, each Director has the right to separately and independently access to the Company's senior management to make further enquiries if necessary.

Appointment and re-election of Directors

Appointment of new Directors is a matter for consideration by the Nomination Committee. The Nomination Committee will review the profiles of the candidates and make recommendations to the Board on the appointment, nomination and retirement of Directors.

According to the Bye-laws, any Director so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company who shall then be eligible for re-election at such general meeting. Every director, expect for the Chairman and the Managing Director, is subject to retirement by rotation at least once every three years. In order to comply with the applicable laws of Bermuda, the Bye-laws do not require the Chairman and the Managing Director to retire by rotation. However, they will voluntarily retire and offer themselves for re-election at least once every three years in order to comply with the second part of code provision A.4.2 of the CG Code.

All directors (including all Non-executive Directors) have entered into service contracts or letters of engagement with the Company for a term of not more than three years.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three Independent Non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to Rule 3.10A of the Listing Rules, the number of Independent Non-executive Directors of the Company represents more than one-third of the Board.

The Company has received from each of its Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and the Company considers that all of the Independent Non-executive Directors are independent.

BOARD OF DIRECTORS (continued)

Independent Non-executive Directors (continued)

Any re-election of an independent non-executive director who has served the board for more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders.

Mr. Tam King Ching, Kenny, who will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company, has served as an Independent Non-executive Director of the Company for more than 9 years. As an Independent Non-executive Director with extensive experience and knowledge and in-depth understanding of the Company's operations and business, Mr. Tam has expressed objective views and given independent guidance to the Company over the past years, and he continues demonstrating a firm commitment to his role. The Nomination Committee and the Board consider that the long service of Mr. Tam would not affect his exercise of independent judgement and are satisfied that Mr. Tam has the required character, integrity and experience to continue fulfilling the role of an Independent Non-executive Director. The Company will state in a circular which will contain, among other things, the notice convening the forthcoming annual general meeting of the Company the reason why the Nomination Committee and the Board consider Mr. Tam is still independent and the recommendation to shareholders to vote in favor of the re-election of Mr. Tam as a Director.

Directors' and officers' liability

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

Directors' training and professional development

Every newly appointed Director will be given an introduction of regulatory requirements. Directors are continually updated on the latest development of the Listing Rules, legal and other regulatory requirements to ensure compliance and upkeep of good corporate governance practice. Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company Secretary facilitates induction and professional development of Directors.

In December 2012, the Company organized, at the cost of the Company, an in-house training session for the Directors on the following topics:

- disclosure obligations of listed corporations regarding inside information; and

- update on directors' roles and responsibilities in relation to the Revised Code and the Listing Rules.

BOARD OF DIRECTORS (continued)

Directors' training and professional development (continued)

All Directors have provided to the Company their records of training received during the period from 1 April 2012 (being the date of the Revised Code became effective) to 31 December 2012, a summary of which is as follows:

	Continuous professional development	
Directors	**Type** (Note I)	**Subject** (Note II)
Li Shaofeng	A, B	1
Luo Zhenyu	A, B	1
Wang Tian	A, B	1
Yuan Wenxin	A, B	1
Leung Shun Sang, Tony	A, B	1
Tam King Ching, Kenny	A, B	1, 2
Zhou Jianhong	A, B	1
Yip Kin Man, Raymond	A, B	1

Note I:

A: Attending seminars, conferences, forums, in-house briefings or in-house training

B: Reading newspapers, journals and updates

Note II:

1: Laws, rules and regulations

2: Finance, accounting or taxation

CHAIRMAN AND MANAGING DIRECTOR

The roles of Chairman and Managing Director are separate and exercised by different individuals to reinforce their independence and accountability. Mr. Li Shaofeng is the Chairman and Mr. Luo Zhenyu serves as the Managing Director of the Company. The Chairman provides leadership for the Board and ensures that the Board works effectively and performs its responsibility. The Managing Director has overall chief executive responsibility for the Group's business development and day-to-day management generally. The division of responsibilities between the Chairman and the Managing Director is clearly established and set out in writing.

In performing the role of Chairman, Mr. Li Shaofeng's responsibilities include, amongst other things:

- taking primary responsibility for ensuring that good corporate governance practices and procedures are established;

CHAIRMAN AND MANAGING DIRECTOR (continued)

- ensuring that all Directors are properly briefed on issues arising at Board meetings, and ensuring that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable;

- encouraging all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interest of the Company;

- encouraging Directors with different views to voice their concerns, allowing sufficient time for discussion of issues and ensuring that Board decisions fairly reflect Board consensus;

- ensuring that appropriate steps are taken to provide effective communications with shareholders and that their views are communicated to the Board as a whole; and

- promoting a culture of openness and debate by facilitating the effective contribution of Non-executive Directors in particular and ensuring constructive relations between Executive and Non-executive Directors.

During the year, the Chairman met with the Non-executive Directors (including Independent Non-executive Directors) without the presence of the Executive Directors.

BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities. All committees have their own terms of reference. All resolutions passed by the committees will be reported to the Board at the next Board meeting.

Executive Committee

An Executive Committee of the Board was established in September 2005 with specific written terms of reference which deal clearly with its authorities and duties.

The Executive Committee has been conferred with the general powers of the Board (except those matters specifically reserved for the Board) to manage and oversee the operations of the Group and has been assigned with the responsibilities to perform the corporate governance duties as follows:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

- to review and monitor the training and continuous professional development of Directors and senior management;

BOARD COMMITTEES (continued)

Executive Committee (continued)

- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Group's employees and Directors;

- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

- to conform to any requirement, direction, regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

The Executive Committee comprises all Executive Directors of the Company.

During the year, two physical meetings of the Executive Committee were held. Amongst those meetings, one meeting was held for the purpose of performing the corporate governance duties. The attendances of the members of the Executive Committee at that meeting are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Li Shaofeng *(chairman of the committee)*	1/1
Luo Zhenyu	1/1
Wang Tian	1/1
Yuan Wenxin	1/1

The major work in relation to the corporate governance of the Group performed by the Executive Committee during the year included, amongst other things, the following:

- reviewing the Company's policies and practices on corporate governance and making recommendations to the Board to adopt the procedures for directors to seek independent professional advice; and

- reviewing the Company's compliance with the CG Code.

BOARD COMMITTEES (continued)

Audit Committee

An Audit Committee of the Board was established with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Audit Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Audit Committee include, amongst other things:

- overseeing the relationship with the Company's auditor;
- reviewing the interim and annual financial statements;
- reviewing the Company's financial reporting system and internal control procedures; and
- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee has explicit authority to investigate any activity within its terms of reference and the authority to obtain outside legal or other independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary. It is given access to and assistance from the employees and reasonable resources to perform its duties properly.

The chairman of the Audit Committee is an Independent Non-executive Director and the Audit Committee comprised all Independent Non-executive Directors of the Company. None of the members of the Audit Committee are former partners of the auditor of the Company.

During the year, two physical meetings of the Audit Committee were held and the attendances of the members of the Audit Committee are as follows:

Committee members	**Number of meeting(s) attended/eligible to attend**
Tam King Ching, Kenny *(chairman of the committee)*	2/2
Zhou Jianhong	2/2
Yip Kin Man, Raymond	2/2

BOARD COMMITTEES (continued)

Audit Committee (continued)

The major work performed by the Audit Committee during the year included, amongst other things, the following:

- reviewing the final results of the Group for the financial year ended 31 December 2011; and
- reviewing the interim results of the Group for the six months ended 30 June 2012.

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditor.

Nomination Committee

A Nomination Committee of the Board was established in September 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Nomination Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Nomination Committee include:

- reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and
- assessing the independence of Independent Non-executive Directors.

Where vacancies exist at the Board, candidates are proposed and put forward to the Nomination Committee for consideration. The recommendations of the Nomination Committee will then be tendered to the Board for approval. In considering the nomination of a new Director, the Nomination Committee will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates. In determining the independence of Directors, the Board follows the requirements set out in the Listing Rules.

The Nomination Committee has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

BOARD COMMITTEES (continued)

Nomination Committee (continued)

The chairman of the Nomination Committee is the Chairman of the Board and the Independent Non-executive Directors of the Company constitute the majority of the Nomination Committee.

During the year, one physical meeting of the Nomination Committee was held and the attendances of the members of the Nomination Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Li Shaofeng *(chairman of the committee)*	1/1
Leung Shun Sang, Tony	1/1
Tam King Ching, Kenny	1/1
Zhou Jianhong	1/1
Yip Kin Man, Raymond	1/1

The major work performed by the Nomination Committee during the year included, amongst other things, reviewing the structure of the Board.

Remuneration Committee

A Remuneration Committee of the Board was established in September 2005 with specific written terms of reference which deal clearly with its authorities and duties. The terms of reference of the Remuneration Committee are posted on the websites of the Stock Exchange and the Company respectively.

The principal duties of the Remuneration Committee include:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Group;

- reviewing and approving the management's remuneration proposals with reference to the Company's goals and objectives;

- determining, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management and making recommendations to the Board on the remuneration of Non-executive Directors;

- reviewing and approving compensation payable to Executive Directors and senior management and compensation arrangements relating to dismissal or removal of Directors for misconduct; and

- ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

The Remuneration Committee may consult the Chairman about their remuneration proposals for other Executive Directors. It has explicit authority to seek any necessary information from the employees within its scope of duties and the authority to obtain outside independent professional advice, at the Company's expense, to perform its responsibilities if it considers necessary.

The remuneration policies for the Company as well as the Directors are market alignment and reward for performance. The Company reviews the remuneration package annually taking into consideration of the market practice, competitive market position and individual performance.

The chairman of the Remuneration Committee is an Independent Non-executive Director and the Independent Non-executive Directors of the Company constitute the majority of the Remuneration Committee.

During the year, one physical meeting of the Remuneration Committee was held and the attendances of the members of the Remuneration Committee are as follows:

Committee members	Number of meeting(s) attended/eligible to attend
Tam King Ching, Kenny *(chairman of the committee)*	1/1
(appointed as the chairman of the committee on 1 April 2012)	
Li Shaofeng	1/1
Leung Shun Sang, Tony	1/1
(ceased to act as the chairman from 1 April 2012)	
Zhou Jianhong	1/1
Yip Kin Man, Kenny	1/1

The major work performed by the Remuneration Committee during the year included, amongst other things, the following:

- considering, reviewing and determining the remuneration of the Executive Directors of the Company for the year 2013;
- determining the bonuses of the Executive Directors of the Company for the year 2012; and
- making recommendations to the Board on the directors' fee of the Non-executive Directors of the Company for the year 2013.

Details of remuneration paid to Directors and senior management for the year are set out in note 14 to the consolidated financial statements.

COMPANY SECRETARY

The Company Secretary supports the Board by ensuring good information flow within the Board and that board policy and procedures are followed. The Company Secretary is also responsible for advising the Board through the Chairman on corporate governance and the implementation of the CG Code. The Company Secretary is an employee of the Company and has day-to-day knowledge of the Group's affairs.

The Company Secretary reports to the Chairman and the Managing Director. All Directors also have access to the advice and services of the Company Secretary to ensure that all applicable laws, rules and regulations are followed. The selection, appointment and dismissal of the Company Secretary is subject to the Board approval.

The Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training during the year.

INTERNAL CONTROL

The Board is of the opinion that sound internal control systems will contribute to the effectiveness and efficiency of operations of the Group and to the safeguard of the Group's assets as well as the shareholders' investment.

The Board is responsible for overall ensuring, maintaining and overseeing the internal control systems of the Group. The Executive Committee helps the Board to discharge its responsibilities of ensuring and maintaining sound internal control functions by continuously reviewing and monitoring the internal control systems and processes so as to ensure that they can provide reasonable assurance against material errors of the Group.

The internal control system is embedded within the business processes so that it functions as an integral part of the overall operations of the Group. The system comprises a comprehensive organization structure with assignment of definite accountabilities and delegation of the corresponding authorities to each post. Based on the organization structure, a reporting system has been developed which includes a reporting system from division head of each principal business unit to the Executive Committee.

Business plan and budget are prepared by the division head of each principal business unit annually. In preparing the business plans and budgets, the management identifies and evaluates any potential risks. Measures will be put in place with an aim to ultimately manage, control or lessen such risks.

The business plans and budgets are subject to review and approval by the Executive Committee. Besides, the Executive Committee reviews monthly management report on the operational and financial results of each principal business unit and measures the actual performance of the Group against the business plan and budget concerned. In this course, the Executive Committee also reviews and assesses the effectiveness of all material controls and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Executive Committee holds periodical meetings with the senior management of each principal business unit to, amongst other matters, address the issues in such controls, identify areas of improvement and put the appropriate measures in place.

INTERNAL CONTROL (continued)

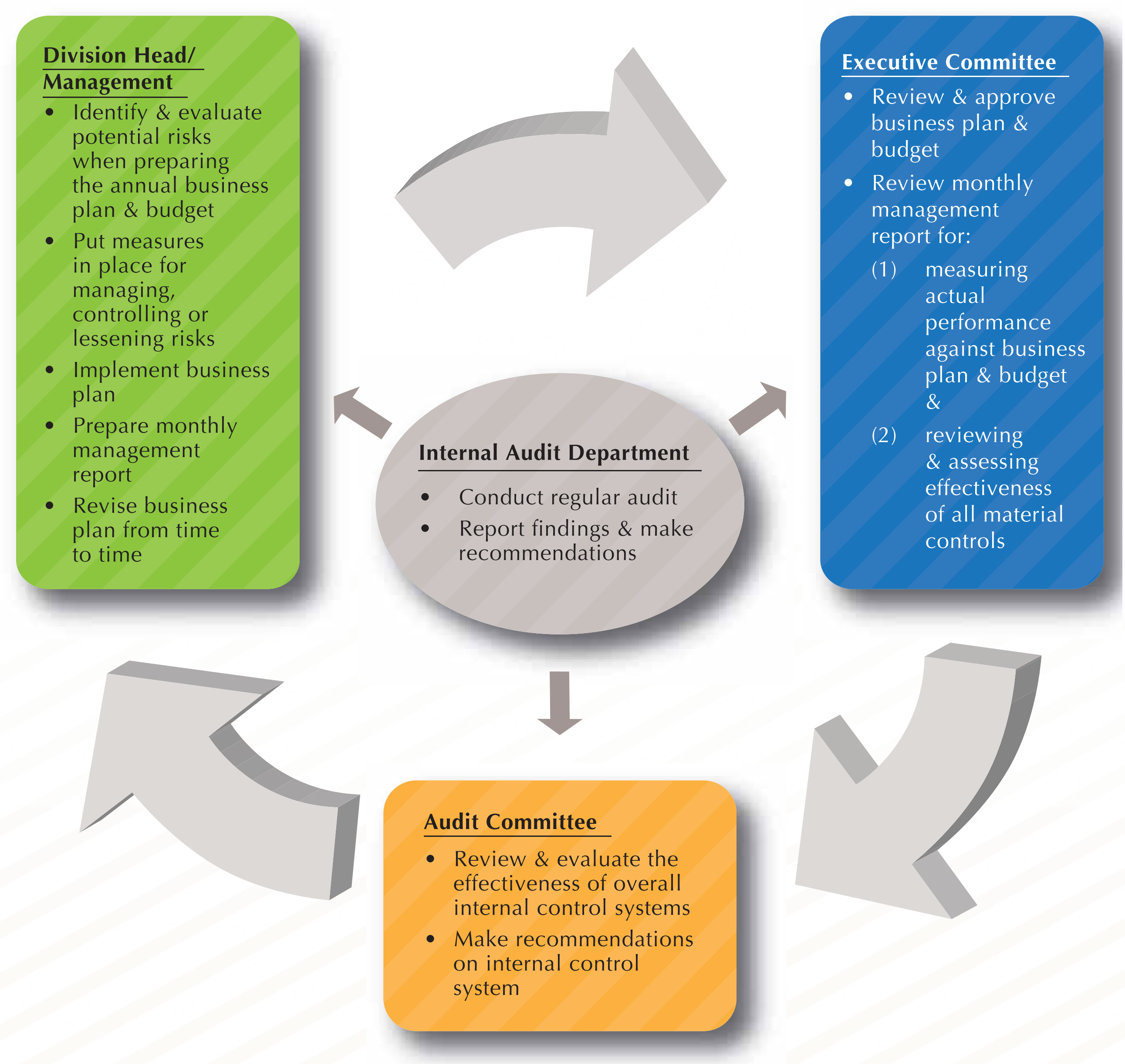
The internal control system is documented and if any revision is required, such information will be submitted to the Audit Committee for evaluation.

The Audit Committee assists the Board to fulfill its oversight role over the Group's internal control function by reviewing and evaluating the effectiveness of the overall internal control systems.

The Company set up an Internal Audit Department in February 2006 which assists the Board and the Audit Committee to discharge its duties in internal control aspect. The Internal Audit Department, which is independent to the operational departments of the Group, is responsible for conducting regular audits on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls as well as risk management, are in place and functioning effectively. The Internal Audit Department reports to the Board and the Audit Committee with its findings and makes recommendations to improve the internal control systems of the Group.

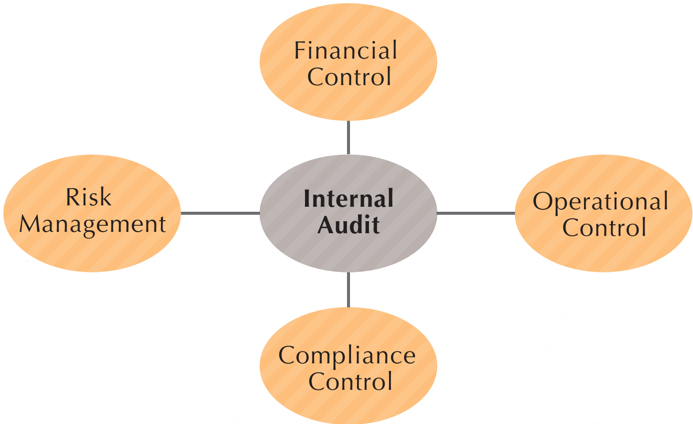
INTERNAL CONTROL (continued)

Internal Control System



INTERNAL CONTROL (continued)

Internal audit functions



The Board considers that it is an ongoing and continuous process for the Group to review and improve its internal control systems in order to ensure that they can meet with the dynamic and ever changing business environment. During the year under review, the Board has been, through the Executive Committee and the Audit Committee (with the assistance from the Internal Audit Department), continuously reviewing the effectiveness of the Group's internal control systems.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for Directors' securities transactions.

Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2012.

Employees who are likely to possess inside information in relation to the Company or its shares are required to prohibit from dealing in shares of the Company during the black-out period.

AUDITOR'S REMUNERATION

During the year, the remuneration paid to the Company's auditor, Deloitte Touche Tohmatsu, is set out as follows:

Services rendered	**Fee paid**
	HK$'000
Statutory audit services	855
Non-statutory audit services:	
Review on interim financial report	320
	1,175

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis and in presenting the interim and annual financial statements, announcements and other financial disclosures required under the Listing Rules, the Directors aim to present a balanced, clear and understandable assessment of the Group's position and prospects.

The statement of the auditor of the Company, Deloitte Touche Tohmatsu, about its reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on pages 50 to 51 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

On 22 March 2012, the Board adopted a Shareholders' Communication Policy reflecting the current practices of the Company for communication with its shareholders. Such policy aims at ensuring the shareholders of the Company are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders to engage actively with the Company.

To foster effective communications with the shareholders, the Company provides extensive information in its annual and interim reports and announcements. All shareholders' communications are also available on the Company's website at www.shougang-grand.com.hk.

The annual general meeting of the Company provides a useful forum for shareholders to exchange views with the Board. All Directors will make an effort to attend. External auditor is also available at the annual general meeting to address shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval, members of the independent Board committee will also make an effort to attend to address shareholders' queries.

The Chairman and the auditor of the Company, Deloitte Touche Tohmatsu, attended the annual general meeting of the Company held on 25 May 2012 (the "2012 AGM"). Details of the Directors' attendances at the 2012 AGM are as follows:

Directors (as at the date of 2012 AGM)	**Attendance**
Executive Directors	
Li Shaofeng *(Chairman)*	✓
Luo Zhenyu	✓
Wang Tian	✓
Yuan Wenxin	✓
Non-executive Director	
Leung Shun Sang, Tony	✓
Independent Non-executive Directors	
Tam King Ching, Kenny	✓
Zhou Jianhong	✓
Yip Kin Man, Raymond	✓

COMMUNICATION WITH SHAREHOLDERS (continued)

During the year, all notices of general meetings despatched by the Company to its shareholders for meetings held were sent for annual general meeting at least 20 clear business days before the meeting and at least 10 clear business days for all other general meetings. Separate resolutions were proposed at general meetings on each substantially separate issue, including the election of individual Directors, and all resolutions put to the vote of a general meeting were taken by way of a poll. At the commencement of a general meeting, the chairman of the meeting explained the procedures for conducting a poll and answered questions from shareholders on voting by poll, if any. The results of the poll were published on the websites of the Stock Exchange and the Company respectively.

SHAREHOLDERS' RIGHTS

Shareholder(s) holding not less than one-tenth (10%) of the paid up capital of the Company can make a requisition to convene a special general meeting pursuant to Clause 74 of the Companies Act 1981 of Bermuda. The requisition must state the objects of the meeting, and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company for the attention of the Company Secretary.

Shareholder(s) representing not less than one-twentieth (5%) of the paid up capital of the Company or of not less than 100 shareholders of the Company may by requisition, at their own expense unless the Company otherwise resolves, to put forward proposals at general meeting of the Company pursuant to Clauses 79 and 80 of the Companies Act 1981 of Bermuda. A written notice to that effect signed by the shareholder(s) concerned together with a sum reasonably sufficient to meet the expenses in giving effect thereto must be deposited at the registered office of the Company for the attention of the Company Secretary not less than six weeks before the meeting. The notice shall contain, inter alia, a description of the proposed resolution desired to be put forward at the general meeting, the reasons for such proposal and any material interest(s) of the proposing shareholder(s) in such proposal.

Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary at our registered office or by email to our Company. In addition, shareholders can contact Tricor Tengis Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlement to dividend. Relevant contact details are set out on page 2 of this annual report.

CONSTITUTIONAL DOCUMENTS

During the year, there is no change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors herein present their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and associates are set out in notes 43 and 21 to the consolidated financial statements, respectively.

RESULTS

The results of the Group for the year ended 31 December 2012 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 52 to 136 of this annual report.

The Board of Directors of the Company does not recommend the payment of any dividend in respect of the year (2011: Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on pages 139 to 140 of this annual report.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 17 to the consolidated financial statements.

Particulars of the major investment properties of the Group as at the end of the reporting period are set out on pages 137 to 138 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

Particulars of the major properties of the Group as at the end of the reporting period are set out on page 138 of this annual report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 36 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on pages 56 to 57 of this annual report.

DONATIONS

No charitable donation was made by the Group during the year (2011: Nil).

DIRECTORS

The Directors of the Company during the year were as follows:

Li Shaofeng
Luo Zhenyu
Wang Tian
Yuan Wenxin
Leung Shun Sang, Tony
Tam King Ching, Kenny*
Zhou Jianhong*
Yip Kin Man, Raymond*

* *Independent Non-executive Directors*

In accordance with clause 99 of the Company's bye-laws, Mr. Tam King Ching, Kenny, will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company. In order to comply with the second part of code provision A.4.2 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, Mr. Li Shaofeng and Mr. Luo Zhenyu, being the Chairman and Managing Director of the Company, respectively, will retire voluntarily and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors of the Company who held office at 31 December 2012 had the following interests in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as at 31 December 2012 as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

(a) Long positions in the shares and underlying shares of the Company

		Number of shares/underlying shares in the Company			
Name of Director	Capacity in which interests were held	Interests in shares	Interests in underlying shares*	Total interests	Total interests as to % of the issued share capital of the Company as at 31.12.2012
Li Shaofeng	Beneficial owner	–	11,000,000	11,000,000	0.95%
Luo Zhenyu	Beneficial owner	–	9,000,000	9,000,000	0.78%
Wang Tian	Beneficial owner	4,000,000	11,094,000	15,094,000	1.31%
Yuan Wenxin	Beneficial owner	4,000,000	15,094,000	19,094,000	1.65%
Leung Shun Sang, Tony	Beneficial owner	8,278,000	19,368,604	27,646,604	2.39%
Tam King Ching, Kenny	Beneficial owner	–	2,286,000	2,286,000	0.19%
Zhou Jianhong	Beneficial owner	–	2,286,000	2,286,000	0.19%
Yip Kin Man, Raymond	Beneficial owner	–	2,286,000	2,286,000	0.19%

* *The relevant interests are unlisted physically settled options granted pursuant to the Company's share option scheme adopted on 7 June 2002 (the "2002 Scheme"). Upon exercise of the share options in accordance with the 2002 Scheme, ordinary shares of HK$0.01 each in the share capital of the Company are issuable. The share options are personal to the respective Directors. Further details of the share options are set out in the section headed "Share Option Schemes" below.*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

(b) Long positions in the shares and underlying shares of Global Digital Creations Holdings Limited ("GDC"), an associated corporation of the Company

Name of Director	Capacity in which interests were held	Number of shares/underlying shares in GDC: Interests in shares	Interests in underlying shares*	Total interests	Total interests as to % of the issued share capital of GDC as at 31.12.2012
Li Shaofeng	Beneficial owner	–	12,950,000	12,950,000	0.85%
Wang Tian	Beneficial owner	820	–	820	0.00%
Leung Shun Sang, Tony	Beneficial owner	30,008,200	6,470,000	36,478,200	2.40%
Zhou Jianhong	Beneficial owner	400,410	–	400,410	0.02%

* *The relevant interests are unlisted physically settled options granted pursuant to GDC's share option scheme adopted on 18 July 2003 (the "GDC Scheme"). Upon exercise of the share options in accordance with the GDC Scheme, ordinary shares of HK$0.01 each in the share capital of GDC are issuable. The share options are personal to the respective Directors.*

Save as disclosed above, as at 31 December 2012, none of the Company's Directors, chief executives or their respective associates had any other personal, family, corporate and other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Schemes" herein, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their respective 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.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Pursuant to Rule 8.10 of the Listing Rules, the following Director has declared interests in the following business (other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or any member of the Group) which is considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group during the year:

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Li Shaofeng	Shougang Holding (Hong Kong) Limited# ("Shougang Holding")	Property investment	Director

Such business may be carried out through the subsidiaries or associates of the entity concerned or by way of other forms of investments.

The Board of the Company is independent from the board of the above-mentioned entity and is accountable to the Company's shareholders. Coupled with the diligence of its Independent Non-executive Directors whose views carry significant weight in the Board's decisions, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of the entity.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2012, according to the register kept by the Company under Section 336 of the SFO, the following companies and persons had interests in the shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity in which interests were held	Number of shares	Interests as to % of the issued share capital of the Company as at 31.12.2012	*Note(s)*
Shougang Holding	Interests of controlled corporations	430,491,315	37.36%	*1*
Wheeling Holdings Limited ("Wheeling")	Beneficial owner	430,491,315	37.36%	*1*
Cheung Kong (Holdings) Limited ("Cheung Kong")	Interests of controlled corporations	133,048,717	11.54%	*2, 3*
Max Same Investment Limited ("Max Same")	Beneficial owner	91,491,193	7.94%	*2*
Li Ka-shing	Interests of controlled corporations, founder of discretionary trusts	133,048,717	11.54%	*3*
Li Ka-Shing Unity Trustee Company Limited ("TUT1")	Trustee	133,048,717	11.54%	*3*
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1")	Trustee, beneficiary of a trust	133,048,717	11.54%	*3*
Li Ka-Shing Unity Trustcorp Limited ("TDT2")	Trustee, beneficiary of a trust	133,048,717	11.54%	*3*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Long positions in the shares of the Company (continued)

Notes:

1. Shougang Holding indicated in its disclosure form dated 18 February 2010 (being the latest disclosure form filed up to 31 December 2012) that as at 12 February 2010, its interest was the shares of the Company held by Wheeling, a wholly-owned subsidiary of Shougang Holding.

2. Cheung Kong indicated in its disclosure form dated 26 February 2005 (being the latest disclosure form filed up to 31 December 2012) that as at 23 February 2005, its interests included the interest held by Max Same, a wholly-owned subsidiary of Cheung Kong.

3. Li Ka-Shing Unity Holdings Limited ("Unity Holdco"), of which Mr. Li Ka-shing and Mr. Li Tzar Kuoi, Victor, were respectively interested in one-third and two-third of the entire issued share capital, owned the entire issued share capital of TUT1. TUT1 as trustee of The Li Ka-Shing Unity Trust ("UT1"), together with certain companies which TUT1 as trustee of UT1 was entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, held more than one-third of the issued share capital of Cheung Kong.

   In addition, Unity Holdco also owned the entire issued share capital of TDT1 as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and TDT2 as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 held units in UT1.

   By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1 and TDT2 was deemed to be interested in the same block of shares in which Cheung Kong was interested under the SFO.

Save as disclosed above, as at 31 December 2012, the Company has not been notified of any other person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares and/or underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, there is a sufficiency of public float of the Company's securities as required under the Listing Rules as at the date of this annual report.

SHARE OPTION SCHEMES

On 25 May 2012, the shareholders of the Company approved the termination of the 2002 Scheme (to the effect that no further share option shall be granted under the 2002 Scheme) and the adoption of a new share option scheme (the "2012 Scheme"), which became effective on 29 May 2012 upon the Listing Committee of the Stock Exchange granting its approval to the listing of, and permission to deal in, the shares of the Company which may fall to be issued upon exercise of the options to be granted under the 2012 Scheme.

A summary of the principal terms of each of the 2002 Scheme and the 2012 Scheme are set out below:

(a) 2002 Scheme

The purpose of the 2002 Scheme is to enable the Company to grant share options to selected participants as incentives or rewards for their contribution to the Company and/or its subsidiaries and/or its associated companies. The 2002 Scheme was adopted on 7 June 2002 and terminated on 29 May 2012.

Under the 2002 Scheme, the Directors may, at their discretion, offer directors (including executive and non-executive directors), executives, officers, employees or shareholders, of the Company or any of its subsidiaries or any of its associated companies, and any suppliers, customers, consultants, advisers, agents, partners or business associates who will contribute or have contributed to the Company or any of its subsidiaries or any of its associated companies, share options to subscribe for shares of the Company.

As at 29 May 2012, being the termination date of the 2002 Scheme, options to subscribe for a total of 375,933,432 shares of the Company have been granted. Accordingly, the total number of shares of the Company which may be issued upon exercise of all outstanding share options granted under the 2002 Scheme is 135,938,000 which represents approximately 11.80% of the issued share capital of the Company as at the date of this annual report. Since the 2002 Scheme was terminated on 29 May 2012, no further options can be granted under the 2002 Scheme. However, the share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

Each of the grantees is required to pay HK$1.00 as consideration for the grant of options in accordance with the 2002 Scheme. The offer of share options must be accepted within 60 days from the date of offer.

Save as disclosed above, there is no material difference in the terms, which shall be disclosed pursuant to Rule 17.09 of the Listing Rules, between the 2002 Scheme and the 2012 Scheme.

SHARE OPTION SCHEMES (continued)

(a) 2002 Scheme (continued)

No share option was granted, exercised or cancelled in accordance with the terms of the 2002 Scheme during the year. Details of movements in the share options under the 2002 Scheme during the year are as follows:

Category or name of grantees	Options to subscribe for shares of the Company: At the beginning of the year	Lapsed during the year	At the end of the year	Date of grant	Exercise period	Exercise price per share
Directors of the Company						
Li Shaofeng	11,000,000	–	11,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540
Luo Zhenyu	9,000,000	–	9,000,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540
Wang Tian	5,094,000	–	5,094,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	6,000,000	–	6,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	11,094,000	–	11,094,000			
Yuan Wenxin	9,094,000	–	9,094,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	6,000,000	–	6,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	15,094,000	–	15,094,000			
Leung Shun Sang, Tony	75	(75)[1]	–	23.08.2002	23.08.2002 – 06.06.2012	HK$0.730
	604	–	604	06.03.2003	06.03.2003 – 05.03.2013	HK$0.760
	11,368,000	–	11,368,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	8,000,000	–	8,000,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	19,368,679	(75)	19,368,604			
Tam King Ching, Kenny	1,136,000	–	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	1,150,000	–	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	2,286,000	–	2,286,000			
Zhou Jianhong	1,136,000	–	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	1,150,000	–	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	2,286,000	–	2,286,000			
Yip Kin Man, Raymond	1,136,000	–	1,136,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	1,150,000	–	1,150,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	2,286,000	–	2,286,000			
	72,414,679	(75)	72,414,604			
Employees of the Group	3,700,000	–	3,700,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	7,920,000	–	7,920,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540
	11,620,000	–	11,620,000			
Other participants	1,330,000	(1,330,000)[2]	–	06.03.2003	06.03.2003 – 31.12.2011	HK$0.760
	34,104,000	–	34,104,000	19.01.2007	19.01.2007 – 18.01.2017	HK$0.410
	18,500,000	–	18,500,000	22.01.2008	22.01.2008 – 21.01.2018	HK$0.724
	600,000	–	600,000	14.12.2010	14.12.2010 – 13.12.2020	HK$0.540
	54,534,000	(1,330,000)	53,204,000			
	138,568,679	(1,330,075)	137,238,604			

Notes:

1 Such share options lapsed on 7 June 2012.

2 Such share options lapsed on 1 January 2012.

SHARE OPTION SCHEMES (continued)

(b) 2012 Scheme

The purpose of the 2012 Scheme is to replace the 2002 Scheme and to continue to enable the Company to grant share options to selected participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any entity in which any member of the Group holds any equity interest (the "Invested Entities"). The 2012 Scheme shall be valid and effective for a period of ten years commencing on 25 May 2012, being the date on which the 2012 Scheme was conditionally adopted by the shareholders of the Company, and ending on 25 May 2022 (both dates inclusive).

Under the 2012 Scheme, the Board may, at its discretion, offer full-time or part-time employees, executives, officers or directors (including executive and non-executive directors) of the Company or any of its subsidiaries or any of the Invested Entities, and any advisors, consultants, agents, suppliers, customers and distributors, who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries and/or any of the Invested Entities, share options to subscribe for shares of the Company.

No share option has been granted under the 2012 Scheme since its adoption. The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the 2012 Scheme is 115,219,246, representing 10% of the issued share capital of the Company as at the date of this annual report. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the 2012 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant (a) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the grant; and (b) having an aggregate value of in excess of HK$5,000,000 (based on the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of each grant), such further grant of options shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting on a poll at which all connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular. Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is required to be approved by the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the grantee of the options).

SHARE OPTION SCHEMES (continued)

(b) 2012 Scheme (continued)

The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the 2012 Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of offer of any share options.

The exercise price in relation to each share option will be determined by the Board at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of the share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1.00 as a consideration for his acceptance of the grant of share options in accordance with the 2012 Scheme. The offer of share options must be accepted within 30 days from the date of the offer.

Share options to be granted under the 2012 Scheme do not confer rights on the holders to dividends or to vote at general meetings.

No share option has been granted under the 2012 Scheme since its adoption. Accordingly, as at 31 December 2012, there was no share option outstanding under the 2012 Scheme.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

DISTRIBUTION RESERVES

At the end of the reporting period, the Company had distributable reserves of approximately HK$104,629,300.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 60% of the total sales for the year and sales to the largest customer amounted to approximately 16% of the total sales. Purchases from the Group's five largest suppliers accounted for approximately 82% of the total purchases for the year and purchases from the largest supplier amounted to approximately 27% of the total purchases. None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers and suppliers.

CONNECTED TRANSACTIONS

During the year and up to the date of this annual report, the Group had no connected transaction that was subject to the disclosure requirements under the Listing Rules.

As far as the transactions took place during the year as set out in note 42(a) to the consolidated financial statements under the heading of "Related Party Transactions" are concerned, the transactions were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

The transactions set out in note 42(b) to the consolidated financial statements under the heading of "Related Party Transactions" did not constitute connected transactions under the Listing Rules.

As far as the transactions set out in note 42(c) to the consolidated financial statements under the heading of "Related Party Transactions" are concerned, the remuneration of the Directors as determined pursuant to the service contracts entered into between the Directors and the Group were connected transactions which were exempt from any disclosure and shareholders' approval requirements under the Listing Rules.

DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

Under the facility agreement dated 8 November 2010 (the "Facility Agreement") entered into between China Construction Bank (Asia) Corporation Limited (the "Bank") as lender, SCG Finance Corporation Limited ("SCG Finance"), a wholly-owned subsidiary of the Company, as borrower, and Shougang Holding and the Company as guarantors, in relation to a revolving loan facility in an amount of HK$92,000,000 (the "Facility") made available by the Bank to SCG Finance, each of the following constitutes a covenant and non-compliance with any covenant will constitute an event of default upon which the Facility will, among others, become immediately due and payable: (i) Shougang Holding shall directly or indirectly own 35% or more of all the issued share capital of the Company; (ii) the consolidated tangible net worth of Shougang Holding shall not be less than HK$2 billion; (iii) the total liabilities of Shougang Holding shall not exceed 200% of its consolidated tangible net worth; and (iv) the consolidated EBITDA (including share of results of associates) of Shougang Holding shall not be less than 3 times interest expenses. The final maturity date of the Facility falls on the date being 24 months after the date of the Facility Agreement. The Facility was fully repaid on 1 February 2012.

CORPORATE GOVERNANCE

The Company's corporate governance practices are set out in the Corporate Governance Report on pages 19 to 37 of this annual report.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By Order of the Board
Li Shaofeng
Chairman

Hong Kong, 27 March 2013

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF SHOUGANG CONCORD GRAND (GROUP) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shougang Concord Grand (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 52 to 136, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 Bermuda Companies Act, 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.

AUDITOR'S RESPONSIBILITY (continued)

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 judgment, 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 Group as at 31 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2012

	NOTES	**2012** **HK$'000**	2011 HK$'000 (Restated)
Revenue	7	**55,534**	67,505
Cost of sales		**(34,969)**	(44,012)
Gross profit		**20,565**	23,493
Interest income from entrusted loans receivable		**–**	12
Other income	9	**8,109**	5,487
Distribution costs and selling expenses		**(1,007)**	(2,044)
Administrative expenses		**(34,182)**	(48,425)
Impairment loss on finance lease receivables		**–**	(8,225)
Increase in fair value of investment properties		**13,600**	65,055
Changes in fair value of held-for-trading investments		**3,229**	(10,441)
Finance costs	10	**(553)**	(2,100)
Share of results of associates		**24,659**	166,521
Impairment loss on interests in an associate	21	**(30,000)**	(66,994)
Loss on disposal of partial interests and dilution of interests in an associate	11	**–**	(6,883)
Profit before tax		**4,420**	115,456
Income tax expense	12	**(2,372)**	(2,465)
Profit for the year	13	**2,048**	112,991
Other comprehensive income (expense):			
Exchange gain arising on translation		**3,007**	10,987
Share of translation difference of an associate		**3,964**	9,324
Release of translation reserve upon disposal of partial interests in an associate		**–**	(646)
Release of translation reserve on dilution of interests in an associate		**–**	(2,819)
		6,971	16,846
Total comprehensive income for the year		**9,019**	129,837

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2012

	NOTES	**2012** **HK$'000**	2011 HK$'000 (Restated)
Profit for the year attributable to:			
Owners of the Company		**2,024**	112,978
Non-controlling interests		**24**	13
		2,048	112,991
Total comprehensive income for the year attributable to:			
Owners of the Company		**8,986**	129,770
Non-controlling interests		**33**	67
		9,019	129,837
Earnings per share – basic and diluted	15	**HK0.18 cents**	HK9.81 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	31.12.2012 HK$'000	31.12.2011 HK$'000 (Restated)	1.1.2011 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	16	**31,295**	31,677	30,459
Investment properties	17	**88,400**	74,800	190,590
Goodwill	19	**52,935**	52,935	52,935
Interests in associates	21	**278,012**	279,390	204,888
Finance lease receivables	22	**279,412**	297,505	342,228
Restricted bank deposits	29	**31,970**	25,926	10,619
Available-for-sale investments	27	**5,251**	5,185	4,941
Deferred tax assets	35	**275**	855	968
		767,550	768,273	837,628
Current assets				
Inventories	23	**3,848**	2,483	–
Amount due from an associate	32	**388**	388	396
Finance lease receivables	22	**223,540**	311,149	206,414
Entrusted loan receivables		**–**	–	235
Loan to an associate	33	**–**	9,772	–
Trade receivables	24	**–**	128	132
Prepayments, deposits and other receivables	25	**6,482**	5,723	6,284
Held-for-trading investments	26	**39,928**	36,888	15,002
Structured deposits	28	**12,500**	13,580	–
Bank balances and cash	29	**316,267**	291,868	308,337
		602,953	671,979	536,800
Assets classified as held for sale	18	**–**	132,000	–
		602,953	803,979	536,800
Current liabilities				
Other payables and accruals	30	**13,558**	17,452	6,504
Income received in advance	31	**4,682**	5,947	4,896
Rental and management fee in advance and other deposits received		**488**	14,274	1,210
Tax liabilities		**12,113**	12,056	10,855
Secured bank borrowings – due within one year	34	**217,995**	414,350	333,803
		248,836	464,079	357,268
Net current assets		**354,117**	339,900	179,532
Total assets less current liabilities		**1,121,667**	1,108,173	1,017,160

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	**31.12.2012 HK$'000**	31.12.2011 HK$'000 (Restated)	1.1.2011 HK$'000 (Restated)
Capital and reserves				
Share capital	36	**11,522**	11,522	11,522
Retained earnings		**639,330**	637,306	523,744
Other reserves		**194,604**	187,642	171,434
Equity attributable to owners of the Company		**845,456**	836,470	706,700
Non-controlling interests		**761**	728	661
Total equity		**846,217**	837,198	707,361
Non-current liabilities				
Income received in advance	31	**3,799**	4,147	3,520
Secured bank borrowings – due after one year	34	**241,099**	248,322	295,691
Security deposits received	22	**30,552**	18,506	10,588
		275,450	270,975	309,799
Total equity and liabilities		**1,121,667**	1,108,173	1,017,160

The consolidated financial statements on pages 52 to 136 were approved and authorised for issue by the Board of Directors on 27 March 2013 and are signed on its behalf by:

Li Shaofeng
DIRECTOR

Luo Zhenyu
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2012

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus reserve HK$'000 (Note (a))	Translation reserve HK$'000	Share options reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011 (originally stated)	11,522	1,007	115,576	25,763	29,088	520,794	703,750	661	704,411
Adjustments (Note 2)	–	–	–	–	–	2,950	2,950	–	2,950
At 1 January 2011 (restated)	11,522	1,007	115,576	25,763	29,088	523,744	706,700	661	707,361
Exchange difference on translation	–	–	–	10,933	–	–	10,933	54	10,987
Share of translation difference of an associate	–	–	–	9,324	–	–	9,324	–	9,324
Release upon disposal of partial interests in an associate	–	–	–	(646)	–	–	(646)	–	(646)
Release upon dilution of interests in an associate	–	–	–	(2,819)	–	–	(2,819)	–	(2,819)
Profit for the year (restated)	–	–	–	–	–	112,978	112,978	13	112,991
Total comprehensive income for the year (restated)	–	–	–	16,792	–	112,978	129,770	67	129,837
Lapse of share options	–	–	–	–	(584)	584	–	–	–
At 31 December 2011 and 1 January 2012 (restated)	11,522	1,007	115,576	42,555	28,504	637,306	836,470	728	837,198
Exchange difference on translation	–	–	–	2,998	–	–	2,998	9	3,007
Share of translation difference of an associate	–	–	–	3,964	–	–	3,964	–	3,964
Profit for the year	–	–	–	–	–	2,024	2,024	24	2,048
Total comprehensive income for the year	–	–	–	6,962	–	2,024	8,986	33	9,019
At 31 December 2012	11,522	1,007	115,576	49,517	28,504	639,330	845,456	761	846,217

Notes:

(a) The contributed surplus reserve represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation in 1991 over the nominal value of the Company's shares issued in exchange, and the transfers as mentioned in Note (b) below.

(b) A special resolution was passed by shareholders of the Company at the special general meeting of the Company held on 6 June 2008 and completed thereafter that an amount of approximately HK$425,259,000 standing to the credit of the share premium account of the Company as at 31 December 2007 be reduced, with the credit arising there being transferred to the contributed surplus reserve of the Company. Upon the said transfer becoming effective, an amount of approximately HK$311,818,000 standing to the credit of the contributed surplus reserve of the Company has been applied to eliminate the accumulated losses of the Company as at 31 December 2007. The Company has complied with the requirements of section 46(2) of The Companies Act 1981 of Bermuda (as amended). Details of which were set out in the circular of the Company dated 9 May 2008.

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2012

	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**4,420**	115,456
Adjustments for:		
Loss on disposal of partial interests and dilution of interests in an associate	**–**	6,883
Depreciation of property, plant and equipment	**1,507**	1,340
Interest expenses (included in finance costs and cost of sales)	**31,523**	42,515
Impairment loss on finance lease receivables	**–**	8,225
Share of results of associates	**(24,659)**	(166,521)
Impairment loss on interests in an associate	**30,000**	66,994
(Gain) loss on disposal of property, plant and equipment	**(48)**	8
Increase in fair value of investment properties	**(13,600)**	(65,055)
Changes in fair value of held-for-trading investments	**(3,140)**	7,534
Interest income	**(5,886)**	(4,871)
Interest income from entrusted loan receivables	**–**	(12)
Dividend income from held-for-trading investments	**(1,549)**	(285)
Operating cash flows before movements in working capital	**18,568**	12,211
Increase in inventories	**(1,334)**	(2,483)
Decrease in amount due from an associate	**–**	8
Increase in security deposits received	**11,815**	7,395
Decrease (increase) in finance lease receivables	**73,835**	(88,788)
Decrease in trade receivables	**128**	4
(Increase) decrease in prepayments, deposits and other receivables	**(737)**	624
Decrease (increase) in held-for-trading investments	**121**	(29,329)
(Decrease) increase in other payables and accruals	**(3,990)**	10,815
(Decrease) increase in rental and management fee in advance and other deposits received	**(149)**	13,064
(Decrease) increase in income received in advance	**(1,686)**	1,273
Cash generated from (used in) operations	**96,571**	(75,206)
Dividend received from held-for-trading investments	**1,549**	285
Income tax paid	**(1,882)**	(1,670)
Interest received	**39,475**	47,644
Interest paid	**(31,523)**	(42,515)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**104,190**	(71,462)

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2012

	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES		
Purchase of structured deposits	**(24,390)**	(13,580)
Proceeds from redemption of structured deposits	**25,640**	–
Proceeds from disposal of partial interests in an associate	**–**	24,002
Purchases of property, plant and equipment	**(756)**	(1,159)
Withdrawal of restricted bank deposits	**10,000**	11,143
Placement of restricted bank deposits	**(15,720)**	(25,926)
Repayment from entrusted loan receivables	**–**	247
Interest received	**5,886**	4,871
Interest received from entrusted loan receivables	**–**	12
Proceeds from disposal of property, plant and equipment	**48**	8
Proceeds from disposal of assets classified as held for sale	**118,312**	48,845
Repayment of loan to an associate	**9,772**	–
Loan to an associate	**–**	(9,772)
NET CASH FROM INVESTING ACTIVITIES	**128,792**	38,691
FINANCING ACTIVITIES		
Repayment of bank loans	**(394,938)**	(257,662)
New bank loans raised	**184,624**	267,116
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(210,314)**	9,454
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**22,668**	(23,317)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**291,868**	308,337
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,731**	6,848
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**316,267**	291,868

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its Controlling Shareholder, which is defined under the Rules Governing the Listing of Securities on the Stock Exchange as a person who is entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the issuer, is Shougang Holding (Hong Kong) Limited ("Shougang Holding"), a company incorporated in Hong Kong with limited liability and the ultimate holding company of Shongang Holding is Shougang Corporation, a company established in the People's Republic of China (the "PRC"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are the property leasing and provision of building management services, finance leasing and assets management.

The functional currency of the Company is Renminbi as the primary economic environment in which the Company's subsidiaries operate is the PRC, for the purpose of this report does not include Hong Kong, Macau and Taiwan ("Mainland China"). The consolidated financial statements are presented in Hong Kong dollars for the convenience of the readers.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in 2012

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company ("Directors") reviewed the investment property portfolios held by the subsidiaries and an associate of the Group.

For the investment properties held by the subsidiaries in Hong Kong, the Directors concluded that they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale. Therefore, the Directors have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties (which are all located in Hong Kong) as the Group is not subject to any income tax on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

For the investment properties in Mainland China held by the Group's associate, the directors of the associate considered that the investment properties of the associate are depreciable and are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sales. Therefore, in measuring the associate's deferred taxation on investment properties, the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sales is rebutted. The application of the amendments to HKAS 12 does not have material impact on the deferred taxes on changes in fair value of the investment properties as the Group's associate had not recognised any changes in fair value of the investment properties in prior years.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by HK$1,692,000 and deferred tax assets being increased by HK$855,000 as at 31 December 2011 with the corresponding adjustment being recognised in retained earnings.

In the current year, no deferred taxes have been provided for changes in fair value of the Group's investment properties. The change in accounting policy has resulted in the Group's income tax expense for the year ended 31 December 2012 being decreased by HK$374,000 (2011: increased by HK$403,000) and hence resulted in the profit for the year ended 31 December 2012 being increased by HK$374,000 (2011: decreased by HK$403,000).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKAS 1 Presentation of Financial Statements (as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is *Annual Improvements to HKFRSs (2009 – 2011 Cycle)*. The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* for the first time, which has resulted in a material effect on the information in the consolidated statement of financial position as at 1 January 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 January 2011 without the related notes.

Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above on the results for the current and preceding years by line items presented in the consolidated statement of comprehensive income is as follows:

	2012 **HK$'000**	2011 HK$'000
Decrease (increase) in income tax expense and increase (decrease) in profit for the year	**374**	(403)

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Summary of the effect of the above change in accounting policy (continued)

The effect of the above change in accounting policy on the financial positions of the Group as at 31 December 2011, is as follows:

	As at 31 December 2011 (originally stated) HK$'000	Adjustments HK$'000	As at 31 December 2011 (restated) HK$'000
Deferred tax assets	–	855	855
Deferred tax liabilities	(1,692)	1,692	–
Total effects on net assets	(1,692)	2,547	855
Retained profits, total effects on equity	634,759	2,547	637,306

The effect of the above change in accounting policy on the financial positions of the Group as at 1 January 2011, is as follows:

	As at 1 January 2011 (originally stated) HK$'000	Adjustments HK$'000	As at 1 January 2011 (restated) HK$'000
Deferred tax assets	–	968	968
Deferred tax liabilities	(1,982)	1,982	–
Total effects on net assets	(1,982)	2,950	968
Retained profits, total effects on equity	520,794	2,950	523,744

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Summary of the effect of the above change in accounting policy (continued)

The effect of the above change in accounting policy on the financial positions of the Group as at 31 December 2012, is as follows:

	As at 31 December 2012 HK$'000
Increase in deferred tax assets	**1,110**
Decrease in deferred tax liabilities	**1,811**
Total effects on net assets	**2,921**
Retained profits, total effects on equity	**2,921**

Impact on basic and diluted earnings per share

	2012 HK cents	2011 HK cents
Basic and diluted earnings per share before adjustments	**0.15**	9.84
Adjustments arising from change in accounting policy in relation to:		
– application of amendments to HKAS 12 in respect of deferred taxes on investment properties	**0.03**	(0.03)
Reported basic and diluted earnings per share	**0.18**	9.81

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle, except for the amendments to HKAS 1[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[4]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2014.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss. As at 31 December 2012, available-for-sale investments of approximately HK$5,251,000 are measured at cost less any identified impairment losses.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 Financial Instruments (continued)

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (continued)

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements if the Group's investment in Global Digital Creations Holdings Limited ("GDC") is considered as a subsidiary of the Group. In the opinion of the Directors, the Group does not have control as defined in HKFRS 10 over GDC, and therefore the Directors anticipate that the application of these standards will have no material impact on the consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad, it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements. The Directors are still in the progress of assessing the financial impact.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group.

When certain assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's shares of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods sold and services provided in the ordinary course of business, net of returns, discounts and sales related taxes.

Finance leasing income, including handling fee income and interest from finance leasing business, which is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the finance lease receivables and other financial assets to that asset's net carrying amount on initial recognition.

Rental income from property leasing is recognised on a straight-line basis over the relevant lease terms.

Revenue from sale of goods is recognised when the goods are delivered and title has passed.

Dividend income from investments is recognised when the Group's rights to receive payment have been established provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including leasehold land and building held for use in supply of goods or services or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in fair value of investment property are included in the profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities with functional currency in Renminbi and foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For partial disposals of associates that do not result in the Group losing significant influence, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits costs

Payments to the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such asset and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is determined on a first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held-for-trading and financial assets designated as FVTPL on initial recognition.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Financial assets at fair value through profit or loss (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amount due from an associate, loan to an associate, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables and finance lease receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period given and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets *(continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables and finance lease receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or finance lease receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial liabilities and equity instruments** (continued)*

Financial liabilities

Financial liabilities including other payables, security deposits received and secured bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and cumulated in equity is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity settled share-based payment transactions

Share options granted to the Directors and employees of the Group

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity settled share-based payment transactions (continued)

Share options granted to the Directors and employees of the Group (continued)

For share options granted on or before 7 November 2002 and share options granted after 7 November 2002 but vested before 1 January 2005, the Group did not recognise any financial effect of these share options in accordance with the transitional provisions of HKFRS 2. The financial impact of such share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to other participants

Share options issued in exchange for goods or services are measured at the fair value of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Impairment losses on tangible assets (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from these involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxed on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Estimated impairment of finance lease receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows expected to arise from the settlement of the finance lease receivables and fair value of the pledged assets less cost to sell. The amount of the impairment loss is measured as the difference between the asset's carrying amount and higher of the present value of estimated future cash flows from settlement (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition) and the fair value of the pledged assets less cost to sell. Where the actual future cash flows or the net selling price of the pledged assets are less than expected, a material impairment loss may arise.

During the year ended 31 December 2012, no impairment loss has been recognised for finance lease receivables (2011: HK$8,225,000). As at 31 December 2012, the carrying amount of finance lease receivables is approximately HK$502,952,000 (2011: HK$608,654,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2012, the carrying amount of goodwill is approximately HK$52,935,000, net of accumulated impairment loss of HK$201,854,000 (2011: HK$52,935,000, net of accumulated impairment loss of HK$201,854,000). Details of the recoverable amount calculation are disclosed in Notes 20.

Estimated impairment of interests in associates

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of the recoverable amount of the associate which is the higher of value in use and fair value less costs to sell. The Group has carried out impairment testing to determine whether the Group's interest in an associate, GDC, is impaired as indicated by the decline in the quoted market price of the shares of GDC. The fair value less costs to sell is determined based on the quoted market price of the shares of the associate as management of the Group considers that the costs of disposal are insignificant. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the associate and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2012, the carrying amount of interests in associates is approximately HK$278,012,000, net of accumulated impairment loss of HK$96,994,000 (2011: HK$279,390,000, net of accumulated impairment loss of approximately HK$66,994,000). Details of the recoverable amount calculation are disclosed in Note 21.

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Financial assets at FVTPL		
Held-for-trading investments	**39,928**	36,888
Structured deposits designated as at FVTPL	**12,500**	13,580
	52,428	50,468
Loan and receivables (including cash and cash equivalents)	**352,763**	331,568
Available-for-sale investments	**5,251**	5,185
Finance lease receivables	**502,952**	608,654
Financial liabilities		
Amortised cost	**493,040**	687,757

b. Financial risk management objectives and policies

The Group's financial instruments include available-for-sale investments, finance lease receivables, trade receivables, other receivables, held-for-trading investments, structured deposits, loan to an associate, restricted bank deposits, bank balances and cash, amount due from an associate, loan to an associate, secured bank borrowings, other payables and security deposits received. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

The normal operations and investments of the Group are mainly in Hong Kong and Mainland China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi which are primarily transacted using functional currencies of the respective group entities. As at 31 December 2012, the Group is mainly exposed to currency risk in relation to Hong Kong dollar (HK$) denominated secured bank borrowings of HK$29,262,000 (2011: HK$123,757,000). The Group will consider using forward exchange contracts to hedge against foreign currency exposures if necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on 5% (2011: 5%) increase and decrease in HK$ against Renminbi, the functional currency of the borrowing entity.

For a 5% (2011: 5%) weakening of HK$ against Renminbi, there would be an increase in post-tax profit by HK$1,286,000 (2011: HK$4,750,000). For a 5% (2011: 5%) strengthening of HK$ against Renminbi, there would be an equal and opposite impact on the profit.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of market interest rate on variable-rate finance lease receivables as disclosed in Note 22, bank balances and restricted bank deposits in Note 29 and secured variable-rate bank borrowings as disclosed in Note 34. It is the Group's policy to keep majority of its finance lease receivables and bank borrowings at floating rates of interest so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance lease receivables.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of Hong Kong banks' prime rate, the People's Bank of China Renminbi Lending Rate ("PBC rate") and Hong Kong Interbank Offer Rate ("HIBOR") arising from the Group's variable-rate finance lease receivables and secured bank borrowings. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the management will consider hedging significant interest rate exposure should the need arise.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

***Market risk** (continued)*

***(ii) Interest rate risk** (continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate finance lease receivables and secured bank borrowings at the end of reporting period. The analysis is prepared assuming these outstanding balances at the end of the reporting period were outstanding for the whole year. A 50 basis points (2011: 50 basis points) increase or decrease which represents management's assessment of the reasonably possible change in interest rates is used.

If interest rates had been 50 basis points (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2012 would increase/decrease by approximately HK$294,000 (2011: HK$70,000).

The Group's exposure to bank balances and restricted bank deposits were not included in the above analysis as the management considers that the exposure to these risks for bank balances and restricted bank deposits are insignificant.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities and structured deposits classified as held-for-trading investments and designated as at FVTPL, respectively. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments of entities operating in Mainland China which are quoted in stock exchanges in Mainland China and Hong Kong. The Group currently does not use any derivative contracts to hedge its exposure to other price risk. However, the management has appointed a team to monitor the price risk and will consider hedging the risk exposure should that needs arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments had been 10% (2011: 10%) higher/lower, post-tax profit for the year ended 31 December 2012 would increase/decrease by approximately HK$4,271,000 (2011: HK$4,099,000) as a result of the changes in fair value of held-for-trading investments and structured deposits.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2012 and 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Before accepting any new finance lease borrower, the Group assesses the credit quality of each potential finance lease borrower and defined limits for each finance lease borrower. The Group also demands certain finance lease borrowers to place security deposits with the Group at the time the finance lease arrangement is entered into. In addition, the Group has reviewed the repayment history of finance lease payments from each finance lease borrower with reference to the repayment schedule from the date of finance lease was initially granted up to the reporting date to determine the recoverability of a finance lease receivable.

The credit risk on restricted bank deposits, structured deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in Mainland China, which accounted for 100% (2011: 100%) of the finance lease receivables as at 31 December 2012.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

***Credit risk** (continued)*

The Group also has concentration of credit risk from finance leasing business as 17% (2011: 22%) and 60% (2011: 85%) of the total finance lease receivables was due from the Group's largest finance lease borrower and the five largest finance lease borrowers, respectively. The Group's five largest finance lease borrowers are spread across diverse industries such as airline and manufacturing industries. Of the five largest finance lease borrowers, two of them are listed companies in Mainland China or group companies of listed companies in Mainland China. Over 77% (2011: 99%) of the finance lease customers have good repayment history with no record of late payment, whilst the credit risk of the remaining finance lease borrowers is considered as low based on the balances have been subsequently settled after due date.

As at 31 December 2011, the Group has concentration of credit risk on its loan to an associate. The associate carries operation in Hong Kong.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings from time to time.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from weighted average interest rate at the end of reporting period.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity table

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows as at 31.12.2012 HK$'000	Carrying amount at 31.12.2012 HK$'000
Non-derivative financial liabilities							
Other payables	–	1,688	–	1,706	–	3,394	3,394
Security deposits received	–	–	–	–	30,552	30,552	30,552
Secured bank borrowings	6	40,888	46,804	151,655	265,093	504,440	459,094
		42,576	46,804	153,361	295,645	538,386	493,040

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows as at 31.12.2011 HK$'000	Carrying amount at 31.12.2011 HK$'000
Non-derivative financial liabilities							
Other payables	–	629	3,848	2,102	–	6,579	6,579
Security deposits received	–	–	–	–	18,506	18,506	18,506
Secured bank borrowings	5	140,398	95,009	200,026	270,261	705,694	662,672
		141,027	98,857	202,128	288,767	730,779	687,757

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2012 and 31 December 2011, the aggregate carrying amounts of these bank loans amounted to HK$29,262,000 and HK$31,757,000 respectively. Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that these bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

5. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

***Liquidity risk** (continued)*

The following table details the Group's aggregate principal and interest cash outflows for bank loans with a repayment on demand clause. To the extent that interest flows are floating rate, the undiscounted amount is derived from weighted average interest rate at the end of reporting period.

	Weighted average interest rate %	Less than 1 year HK$'000	1–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
Secured bank borrowings with repayment on demand clause						
As at 31.12.2012	1.28	2,894	11,578	16,883	31,355	29,262
As at 31.12.2011	1.34	2,905	11,617	19,848	34,370	31,757

The amounts scheduled above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value

The fair value of financial assets and financial liabilities is determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities (excluding available-for-sale investments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities (excluding available-for-sale investments) in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. FINANCIAL INSTRUMENTS (continued)

c. Fair value (continued)

***Fair value measurements recognised in the consolidated statement of financial position** (continued)*

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at FVTPL				
Held-for-trading investments	**39,928**	**–**	**–**	**39,928**
Structured deposits	**–**	**12,500**	**–**	**12,500**
	39,928	**12,500**	**–**	**52,428**

	2011			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at FVTPL				
Held-for-trading investments	36,888	–	–	36,888
Structured deposits	–	13,580	–	13,580
	36,888	13,580	–	50,468

There was no transfer between Level 1 and 2 in the current year.

There was no transfer into or out of Level 3 and there was no relevant gain or loss for the year recognised in profit or loss or other comprehensive income.

6. CAPITAL RISK MANAGEMENT

The Group's objectives to manage its capital are to ensure that entities of the Group will be able to continue as a going concern while maximising the return to shareholders, to support the Group's stability and growth, and to strengthen the Group's financial management capability. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes borrowings disclosed in Note 34 net of restricted bank deposits, structured deposits, bank balances and cash, and total equity.

6. CAPITAL RISK MANAGEMENT (continued)

The Directors review the capital structure regularly and manage its capital structure to ensure an optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Directors monitor capital mainly using net debt to total equity ratio and current ratio. These ratios as at 31 December 2012 and 2011 were as follows:

	2012	2011
	HK$'000	HK$'000
		(Restated)
Net debt [1]	**98,357**	331,298
Total equity [2]	**846,217**	837,198
Net debt to total equity ratio (%)	**12**	40
Current assets	**602,953**	803,979
Current liabilities	**248,836**	464,079
Current ratio (%)	**242**	173

The Directors considered that the Group maintained healthy capital as at 31 December 2012 as the Group has excess of current assets over current liabilities.

Notes:

(1) Net debt equals borrowings less restricted bank deposits, structured deposits and bank balances and cash.

(2) Total equity equals to all capital and reserves of the Group including non-controlling interests.

7. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2012	2011
	HK$'000	HK$'000
Finance lease income	**44,949**	55,395
Property leasing income	**3,668**	6,491
Sale of goods	**6,917**	5,619
	55,534	67,505

8. SEGMENT INFORMATION

Information reported to the chief operating decision maker ("CODM"), being the Managing Director of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided, which is also the basis of organisation of the Group, is set out below.

The Group is currently organised into three operating divisions – property leasing and building management services, finance leasing and assets management where assets management segment is engaged in investment holding and trading of goods.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the year ended 31 December 2012

	Property leasing and building management services HK$'000	Finance leasing HK$'000	Assets management HK$'000	Total HK$'000
Segment revenue	3,668	44,949	6,917	55,534
Segment result	16,513	8,315	484	25,312
Other income				5,785
Central administration costs				(24,012)
Changes in fair value of held-for-trading investments				3,229
Finance costs				(553)
Share of results of associates				24,659
Impairment loss on interests in an associate				(30,000)
Profit before tax				4,420

8. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 December 2011

	Property leasing and building management services HK$'000	Finance leasing HK$'000	Assets management HK$'000	Total HK$'000
Segment revenue	6,491	55,395	5,619	67,505
Segment result	69,120	190	189	69,499
Other income				2,440
Central administration costs				(36,586)
Changes in fair value of held-for-trading investments				(10,441)
Finance costs				(2,100)
Share of results of associates				166,521
Impairment loss on interests in an associate				(66,994)
Loss on disposal of partial interests and dilution of interests in an associate				(6,883)
Profit before tax				115,456

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current and prior years.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment result represents the profit earned by each segment without allocation of central administration costs including Directors' salaries, share of results of associates, impairment loss on interests in an associate, certain other income, finance costs, changes in fair value of held-for-trading investments and loss on disposal of partial interests and dilution of interests in an associate. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2012 **HK$'000**	2011 HK$'000 (Restated)
Segment assets		
Property leasing and building management services	**99,225**	213,522
Finance leasing	**813,532**	890,104
Assets management	**27,685**	35,417
Total segment assets	**940,442**	1,139,043
Interests in associates	**278,012**	279,390
Loan to an associate	**–**	9,772
Held-for-trading investments	**39,928**	36,888
Structured deposits	**12,500**	13,580
Other unallocated assets	**99,621**	93,579
Consolidated assets	**1,370,503**	1,572,252

	2012 **HK$'000**	2011 HK$'000 (Restated)
Segment liabilities		
Property leasing and building management services	**703**	15,926
Finance leasing	**474,822**	573,805
Assets management	**1,648**	1,624
Total segment liabilities	**477,173**	591,355
Tax liabilities	**12,113**	12,056
Unallocated secured bank borrowings	**29,262**	123,757
Other unallocated liabilities	**5,738**	7,886
Consolidated liabilities	**524,286**	735,054

8. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, held-for-trading investments, structured deposits, loan to an associate and other unallocated corporate assets (including primarily unallocated property, plant and equipment, cash and bank balances and prepayments).

- all liabilities are allocated to reportable segments other than current tax liabilities, unallocated secured bank borrowings not for finance leasing and other unallocated liabilities.

Other segment information

2012

	Property leasing and building management services HK$'000	Finance leasing HK$'000	Assets management HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss:					
Depreciation of property, plant and equipment	**99**	**958**	**317**	**133**	**1,507**
Gain on disposal of property, plant and equipment	**–**	**–**	**(48)**	**–**	**(48)**
Increase in fair value of investment properties	**13,600**	**–**	**–**	**–**	**13,600**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Interest income	**29**	**1,449**	**715**	**3,693**	**5,886**

8. SEGMENT INFORMATION (continued)

Other segment information (continued)

2011

	Property leasing and building management services HK$'000	Finance leasing HK$'000	Assets management HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss:					
Depreciation of property, plant and equipment	24	927	134	255	1,340
Impairment loss on finance lease receivables	–	8,225	–	–	8,225
Loss on disposal of property, plant and equipment	3	–	–	5	8
Increase in fair value of investment properties	65,055	–	–	–	65,055
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss:					
Interest income	–	1,798	633	2,440	4,871

Geographical information

The Group operates in two principal geographical areas – Mainland China and Hong Kong.

The Group's revenue from external customers by location of the relevant subsidiary's operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China	**51,866**	61,014	**83,574**	83,667
Hong Kong	**3,668**	6,491	**89,056**	75,745
	55,534	67,505	**172,630**	159,412

Note: Non-current assets excluded available-for-sale investments, interests in associates, other financial instruments and deferred tax assets.

8. SEGMENT INFORMATION (continued)

Information about major customers

Revenue from three customers, each individually contributing over 10% of the total revenue of the Group under reportable segment of finance leasing are as follows:

	2012 HK$'000	2011 HK$'000
Customer A	**8,591**	11,786
Customer B	**8,051**	N/A[1]
Customer C	**7,412**	N/A[1]
Customer D	**N/A[1]**	11,844
Customer E	**N/A[1]**	10,197

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

9. OTHER INCOME

	2012 HK$'000	2011 HK$'000
Interest income from bank deposits	**5,322**	4,871
Interest income from loan to an associate	**564**	–
Dividend income from held-for-trading investments	**1,549**	285
Others	**674**	331
	8,109	5,487

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on bank borrowings wholly repayable within five years	**31,523**	42,515
Less: Interest on bank borrowings wholly repayable within five years included in cost of sales	**(30,970)**	(40,415)
	553	2,100

Included in cost of sales is interest on bank borrowings wholly repayable within five years amounting to HK$30,970,000 (2011: HK$40,415,000) under the finance leasing segment.

11. LOSS ON DISPOSAL OF PARTIAL INTERESTS AND DILUTION OF INTERESTS IN AN ASSOCIATE

	2012 HK$'000	2011 HK$'000
Gain on disposal of partial interests in GDC (Note a)	–	15,417
Loss on dilution of interests in GDC (Note b)	–	(22,300)
	–	(6,883)

Notes:

(a) During the year ended 31 December 2011, the Group had disposed of certain of its GDC shares in the open market at total cash consideration of approximately HK$24,002,000, resulting in a gain on partial disposal of approximately HK$15,417,000. The gain on partial disposal is calculated based on the sales proceeds minus the carrying value attributable to the disposed interest in GDC, release of other comprehensive income upon disposal and transaction costs incurred. The Group's equity interest in GDC has been decreased from 49.84% to 47.80%.

(b) On 4 October 2011, upon allotment and issue of the relevant GDC shares pursuant to the subscription agreement entered into by GDC dated 12 July 2011, the Group's equity interest in GDC has been diluted from 47.80% to 40.78%, resulting in a loss on deemed disposal of approximately HK$22,300,000.

12. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000 (Restated)
Current tax:		
Hong Kong		
Provision for the year	**252**	242
PRC Enterprise Income Tax ("EIT")		
Provision for the year	**1,540**	2,110
	1,792	2,352
Deferred taxation (Note 35):		
Current year	**580**	113
	2,372	2,465

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of certain subsidiaries of the Group operating in Mainland China was either reduced from 33% to 25% or was increased from 15% to 25% progressively from 1 January 2008 onwards. For the year ended 31 December 2012, the relevant tax rates for the Group's subsidiaries in Mainland China is 25% (2011: 24% to 25%).

12. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit before tax in the consolidated statement of comprehensive income as follows:

	2012 HK$'000	2011 HK$'000 (Restated)
Profit before tax	**4,420**	115,456
Tax calculated at PRC EIT rate of 25%	**1,105**	28,864
Tax effect on share of results of associates	**(6,165)**	(41,630)
Tax effect of expenses not deductible for tax purposes	**7,617**	22,563
Tax effect of income not taxable for tax purposes	**(5,712)**	(17,450)
Tax effect of tax losses not recognised	**6,453**	11,039
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(1,025)**	(962)
Others	**99**	41
Income tax expense for the year	**2,372**	2,465

13. PROFIT FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including Directors' remuneration (Note 14):		
– Salaries, wages and other benefits	**18,512**	25,877
– Retirement benefit scheme contributions	**666**	421
Total staff costs	**19,178**	26,298
Auditor's remuneration	**1,155**	1,332
Impairment loss on finance lease receivables	**–**	8,225
Depreciation of property, plant and equipment	**1,507**	1,340
(Gain)/loss on disposal of property, plant and equipment	**(48)**	8
Exchange loss (gain), net	**7**	(6)
Gross rent from investment properties	**(3,668)**	(6,491)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**312**	754
	(3,356)	(5,737)

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the 8 (2011: 9) Directors and the chief executive were as follows:

2012

	Li Shaofeng HK$'000	Luo Zhenyu HK$'000	Wang Tian HK$'000	Yuan Wenxin HK$'000	Leung Shun Sang, Tony HK$'000	Tam King Ching, Kenny HK$'000	Zhou Jianhong HK$'000	Yip Kin Man, Raymond HK$'000	Total HK$'000
Fees	–	–	–	–	190	240	240	240	910
Other emoluments									
Salaries and other benefits	1,904	2,266	1,440	1,440	–	–	–	–	7,050
Bonus (Note 2)	–	180	120	120	–	–	–	–	420
Retirement benefit scheme contributions	90	108	72	72	–	–	–	–	342
Total emoluments	1,994	2,554	1,632	1,632	190	240	240	240	8,722

2011

	Li Shaofeng HK$'000	Luo Zhenyu HK$'000	Chen Zheng HK$'000 (Note 1)	Wang Tian HK$'000	Yuan Wenxin HK$'000	Leung Shun Sang, Tony HK$'000	Tam King Ching, Kenny HK$'000	Zhou Jianhong HK$'000	Yip Kin Man, Raymond HK$'000	Total HK$'000
Fees	–	–	–	–	–	190	240	240	240	910
Other emoluments										
Salaries and other benefits	1,800	2,160	941	1,440	1,440	–	–	–	–	7,781
Bonus (Note 2)	2,250	1,800	–	1,200	720	–	–	–	–	5,970
Retirement benefit scheme contributions	90	108	47	72	72	–	–	–	–	389
Total emoluments	4,140	4,068	988	2,712	2,232	190	240	240	240	15,050

Notes:

(1) Resigned on 27 August 2011.

(2) Bonus is determined by the Remuneration Committee of the Company with reference to the Group's performance and prevailing market condition.

Mr. Li Shaofeng is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2011: all) were Directors whose emoluments are included in the disclosures above for the year ended 31 December 2012.

The emoluments of the remaining one individual for the year ended 31 December 2012 was as following:

	2012
	HK$'000
Salaries and other benefits	**910**
Bonus	**350**
Retirement benefit scheme contribution	**14**
	1,274

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2012	2011
	HK$'000	HK$'000
		(Restated)
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**2,024**	112,978

	2012	2011
	'000	'000
Number of ordinary shares for the purposes of basic and diluted earnings per share	**1,152,192**	1,152,192

The calculation of diluted earnings per share for both years does not include the potential ordinary shares arising from the Company's share options because the exercise prices of these share options were higher than the average market price of the shares of the Company for both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000 (Note)	Leasehold improvements HK$'000	Other fixed assets HK$'000	Total HK$'000
COST				
At 1 January 2011	31,610	1,603	6,152	39,365
Exchange realignment	1,479	2	64	1,545
Additions	–	220	939	1,159
Disposals	–	(102)	(130)	(232)
At 31 December 2011	33,089	1,723	7,025	41,837
Exchange realignment	393	1	27	421
Additions	–	27	729	756
Disposals	–	–	(343)	(343)
At 31 December 2012	33,482	1,751	7,438	42,671
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January 2011	2,322	1,594	4,990	8,906
Exchange realignment	59	2	69	130
Provided for the year	734	28	578	1,340
Eliminated on disposals	–	(102)	(114)	(216)
At 31 December 2011	3,115	1,522	5,523	10,160
Exchange realignment	28	1	23	52
Provided for the year	760	80	667	1,507
Eliminated on disposals	–	–	(343)	(343)
At 31 December 2012	3,903	1,603	5,870	11,376
CARRYING VALUES				
At 31 December 2012	29,579	148	1,568	31,295
At 31 December 2011	29,974	201	1,502	31,677

Note: In the opinion of the Directors, the lease payments cannot be allocated reliably between the land and building elements. Thus the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line method at the following rates per annum:

Leasehold land and buildings	Over the shorter of term of the lease of the land or 50 years
Leasehold improvements	Over the shorter of term of the lease or 5 years
Other fixed assets	10% – 30%

The carrying value of leasehold land and buildings shown above represents properties situated on interests in land in Mainland China held under medium-term lease.

17. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2011	190,590
Transfer to assets classified as held for sale (Note 18)	(132,000)
Derecognised upon disposal	(48,845)
Net increase in fair value recognised in profit or loss	65,055
At 31 December 2011 and 1 January 2012	74,800
Net increase in fair value recognised in profit or loss	13,600
At 31 December 2012	88,400

The fair values of the Group's investment properties at 31 December 2012 and 2011 have been arrived at on the basis of a valuation carried out on that date by AA Property Services Limited, an independent qualified professional valuer not connected with the Group. AA Property Services Limited is a registered firm of the Hong Kong Institute of Surveyors, and has appropriate qualifications and experience. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions and where appropriate by capitalisation of rental income from properties.

All of the Group's property interests held to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

At 31 December 2012, all of the Group's investment properties are located in Hong Kong and held under medium and long leases with the lease terms of 47 to 121 years (2011: 48 to 122 years).

17. INVESTMENT PROPERTIES (continued)

The carrying amounts of investment properties shown above are situated on:

	2012	2011
	HK$'000	HK$'000
Land in Hong Kong		
Long lease	**65,200**	55,500
Medium-term lease	**23,200**	19,300
Total	**88,400**	74,800

All of the Group's investment properties have been pledged to banks to secure general banking facilities granted to the Group (Note 37).

18. ASSETS CLASSIFIED AS HELD FOR SALE

	2012	2011
	HK$'000	HK$'000
Investment properties (Note 17)	**–**	132,000

On 27 May 2011, a subsidiary of the Company entered into a provisional agreement with an independent purchaser pursuant to which the subsidiary agreed to sell its entire ownership interests in the properties to the purchaser for a cash consideration of HK$132,000,000 (the "Property Disposal"), the direct transaction cost associated with the Property Disposal amounted to approximately HK$1,419,000. The properties comprised units A and B on all of the 3rd, 6th and 9th floors and all the car parking spaces on the 4th floor of Tin Fung Industrial Mansion, 63 Wong Chuk Hang Road, Aberdeen, Hong Kong. The properties were held by the Group as investment properties. The Property Disposal was completed on 1 February 2012. Details of the Property Disposal are set out in the announcement of the Company dated 27 May 2011 and the circular of the Company dated 17 June 2011.

19. GOODWILL

	HK$'000
COST	
At 1 January 2011, 31 December 2011 and 2012	254,789
IMPAIRMENT	
At 1 January 2011, 31 December 2011 and 2012	201,854
CARRYING VALUE	
At 31 December 2011 and 2012	52,935

Particulars regarding impairment testing on goodwill are disclosed in Note 20.

20. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 19 has been allocated to the Cash Generating Unit ("CGU") represented by finance leasing division.

The recoverable amount of the CGU arising from finance leasing division has been determined on the basis of value in use calculations. For the purpose of impairment testing, the value in use calculations use cash flow projections based on financial budgets approved by management covering a 5-year period and a discount rate of 9% (2011: 9%) for finance leasing division. Cash flows beyond the 5-year period are extrapolated using zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflow/outflows which include budgeted revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the above CGU to exceed the recoverable amount of the above CGU.

21. INTERESTS IN ASSOCIATES

	2012 HK$'000	2011 HK$'000
Cost of investments in associates		
Listed in Hong Kong	**186,613**	186,613
Unlisted	**–**	1
Share of post-acquisition results	**174,792**	150,133
Share of post-acquisition exchange reserve	**13,601**	9,637
	375,006	346,384
Impairment loss	**(96,994)**	(66,994)
	278,012	279,390
Fair value of listed investments in Hong Kong	**106,497**	154,792
Carrying amount of interests in associates listed in Hong Kong	**278,012**	279,389

Details of the Group's principal associate at 31 December 2012 and 2011 are as follows:

Name of entity	Form of business structure	Place of incorporation/ establishment and operation	Proportion of nominal value of issued share capital/ registered capital held by the Group		Proportion of voting power held		Principal activities
			2012	2011	**2012**	2011	
GDC	Incorporated	Bermuda/Hong Kong	**40.78%**	40.78%	**40.78%**	40.78%	Provision and distribution of cultural recreation content including computer graphic ("CG") creation and production, CG training courses and investment in cultural park

The carrying amount of investments in GDC has been tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset.

21. INTERESTS IN ASSOCIATES (continued)

The recoverable amount of the investment in GDC as at 31 December 2012 has been determined based on the value in use calculations which was less than the corresponding carrying value. Hence, the Group recognised an impairment loss of approximately HK$30,000,000 (2011: HK$66,994,000) for the year ended 31 December 2012 in relation to the interests in GDC.

The recoverable amount of the investment in GDC as at 31 December 2012 has been determined based on the Group's share of the present value of the estimated future cash flows expected to be generated by GDC, including the cash flows from the operations of each of the business units consisting of the CG creation and production, and CG training courses business and the investment in cultural park business. The value in use calculations use cash flow projections for the CG creation and production, and CG training courses business based on financial budgets approved by management covering a 5-year period and a discount rate of 19% (2011: 11%) and a 3.5% (2011: 4%) growth rate after the 5-year period. Other key assumptions for the value in use calculations relate to the estimation of cash inflow/outflows which include budgeted revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on past performance and management's expectations for the market development.

The value in use calculations also use cash flow projections for the investment in cultural park business taking into account the rental income of the property derived from the existing leases and the estimated future lease income capitalised at a market yield rate expected for similar type of property over the remaining period of the property leasing right.

The summarised financial information in respect of the Group's associates is set out below:

	2012 **HK$'000**	2011 HK$'000
Total assets	**1,290,539**	1,198,322
Total liabilities	**(331,047)**	(339,859)
Net assets	**959,492**	858,463
The Group's share of net assets of associates	**375,006**	346,384
Revenue	**111,022**	94,677
Profit for the year	**89,031**	349,991
The Group's share of profit of associates for the year	**24,659**	166,521#
The Group's share of translation difference	**3,964**	9,324

Contingent liability of GDC is set out in Note 38.

During the year ended 31 December 2011, GDC disposed certain of its subsidiaries and resulted in gain on disposal of discontinued operations of HK$277,329,000. The Group's share of the gain on disposal was HK$113,095,000.

22. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Note)	(Note)		
Finance lease receivables comprise:				
Within one year	**258,649**	354,865	**223,540**	311,149
In more than one year but not more than two years	**151,395**	176,684	**133,774**	157,857
In more than two years but not more than three years	**124,277**	77,679	**117,037**	68,446
In more than three years but not more than four years	**29,615**	63,785	**28,601**	60,091
In more than four years but not more than five years	**–**	11,432	**–**	11,111
	563,936	684,445	**502,952**	608,654
Less: Unearned finance lease income	**(60,984)**	(75,791)	**N/A**	N/A
Present value of minimum lease receipts	**502,952**	608,654	**502,952**	608,654
Analysed as:				
Current finance lease receivables (receivable within 12 months)			**223,540**	311,149
Non-current finance lease receivables (receivable after 12 months)			**279,412**	297,505
			502,952	608,654

	2012	2011
	HK$'000	HK$'000
Fixed-rate finance lease receivables	**6,697**	–
Variable-rate finance lease receivables	**496,255**	608,654
	502,952	608,654

Note: The minimum lease receipts amounts as at 31 December 2012 and 2011 are presented using the prevailing PBC rate as at 31 December 2012 and 2011 respectively.

22. FINANCE LEASE RECEIVABLES (continued)

Effective interest rates per annum of the above finance lease receivables for the year are as follows:

	2012	2011
Effective interest rates		
Fixed-rate finance lease receivables	**11% to 11.5%**	N/A
Variable-rate finance lease receivables	**6% to 15%**	6% to 15%

Interest rate of variable-rate finance lease receivables is reset when there is a change of the prevailing PBC rate.

As at 31 December 2012, finance lease receivables of approximately HK$438,513,000 (2011: HK$536,731,000) have been pledged against specific bank borrowings granted to the Group (Note 34). The pledges will be released upon the settlement of bank borrowings.

Movement in provision for finance lease receivables

	2012 HK$'000	2011 HK$'000
At 1 January	**37,914**	28,009
Impairment losses recognised on receivables	**–**	8,225
Exchange realignment	**474**	1,680
At 31 December	**38,388**	37,914

Included in the provision for finance lease receivables are individually impaired finance lease receivables with an aggregate balance of HK$38,388,000 (2011: HK$37,914,000). In the opinion of the Directors, these amounts cannot be recovered due to the debtors' default in payment.

Included in the Group's finance lease receivables are two lessees with a total carrying amount of HK$8,793,000 (2011: HK$444,000) which is past due as at the end of the reporting period but not impaired. The age of the receivables is 46 (2011: 77) days and the receivables were fully settled in February 2013 (2011: January 2012).

Except the mentioned debtors, finance lease receivables are neither past due nor impaired, and the Directors assessed that the balances are with good credit quality according to their past repayment history.

Security deposits of HK$30,552,000 (2011: HK$18,506,000) have been received by the Group to secure the finance lease receivables and classified into non-current liabilities based on the final lease instalment due date stipulated in the finance lease agreements which is over one year. In addition, some of the finance lease receivables are secured over the leased assets mainly aeroplanes, machineries and hopper dredgers as at 31 December 2012. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

22. FINANCE LEASE RECEIVABLES (continued)

Estimates of fair value of collateral are made during the credit approval process, determined using valuation techniques commonly used for the corresponding assets. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that loan is updated by reference to market value such as recent transaction price of the assets.

All the Group's finance lease receivables are denominated in Renminbi, the functional currency of the relevant group entity.

23. INVENTORIES

Inventories represent goods held for resale.

24. TRADE RECEIVABLES

	2012	2011
	HK$'000	HK$'000
Trade receivables	**–**	128
Less: Allowance for doubtful debts	**–**	–
	–	128

The Group allows a credit period of 90 days to its trade customers.

24. TRADE RECEIVABLES (continued)

The following is an aged analysis of the trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2012	2011
	HK$'000	HK$'000
0 – 90 days	**–**	123
91 – 180 days	**–**	5
	–	128

As at 31 December 2011, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$5,000 which are past due as at the end of the reporting period of which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 122 days as at 31 December 2011.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2012	2011
	HK$'000	HK$'000
Other receivables	**4,138**	3,486
Prepayments	**701**	685
Deposits	**1,643**	1,552
	6,482	5,723

26. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments as at 31 December 2012 and 2011 represented equity securities as follows:

	2012	2011
	HK$'000	HK$'000
Listed in Mainland China	**1,720**	1,703
Listed in Hong Kong	**38,208**	35,185
	39,928	36,888

The fair values of the held-for-trading investments were determined based on the quoted market bid prices available on the relevant exchanges.

27. AVAILABLE-FOR-SALE INVESTMENTS

The investments represent equity interest in private entities established in Mainland China and Hong Kong.

The investments are measured at cost less impairment at the end of the reporting period because the range of the reasonable fair value estimates is so variable that the Directors are of the opinion that their fair values cannot be measured reliably.

28. STRUCTURED DEPOSITS

The structured deposits as at 31 December 2012 consist of deposits of HK$12,500,000 (2011: HK$13,580,000) issued by banks in Mainland China. The structured deposits carry interest at expected interest rate of 2.7% (2011: 6% and 5.25%) per annum, depending on the market price of the underlying financial products invested by the banks, payable on maturity where the maturity is 63 days (2011: 30 to 45 days) from the date of purchase. The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivative. The Directors consider the fair values of the structured deposits, which are based on the prices the counterparty bank would pay to redeem at 31 December 2012, approximate to their carrying values at 31 December 2012.

The structured deposits are redeemed in January 2013. The change in fair value up to the date of redemption is not significant.

29. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank deposits

The amounts as at 31 December 2012 and 2011 represented bank deposits which will be released upon the full settlement of the relevant bank borrowings. Therefore, they are classified as non-current assets. The deposits carried interest at average interest rate of 0.26% (2011: 1.21%) per annum.

Bank balances and cash

The Group's deposits carry interest rate at prevailing bank saving deposits rate ranging from 0.03% to 3.10% (2011: 0.03% to 2.70%) per annum.

30. OTHER PAYABLES AND ACCRUALS

	2012 **HK$'000**	2011 HK$'000
Accrued salaries and bonuses	**2,355**	3,232
Accrued legal and professional fees	**4,041**	5,768
Other tax payable	**3,489**	1,572
Payable to a supplier for the purchase of lease assets	**–**	3,333
Others	**3,673**	3,547
	13,558	17,452

As at 31 December 2011, included in the Group's other payables and accruals was a payable to a supplier for the purchase of lease assets with aggregate carrying amount of HK$3,333,000 which was aged within three months.

31. INCOME RECEIVED IN ADVANCE

As at 31 December 2012 and 2011, the income received in advance includes handling fee income received from finance lease borrowers for administrative services provided over the relevant lease term.

	2012 **HK$'000**	2011 HK$'000
Analysed for reporting purposes:		
Current	**4,682**	5,947
Non-current	**3,799**	4,147
	8,481	10,094

Non-current portion of income received in advance represents handling fee income to be realised after twelve months.

32. AMOUNT DUE FROM AN ASSOCIATE

The amount is unsecured, non-interest bearing and repayable on demand.

33. LOAN TO AN ASSOCIATE

As at 31 December 2011, the amount was due from an unlisted associate, unsecured, interest baring at an average interest rate of 8.12% per annum and repayable within one year. The amount was fully settled in 2012.

34. SECURED BANK BORROWINGS

	2012	2011
	HK$'000	HK$'000
Secured variable-rate bank borrowings	**459,094**	662,672
Carrying amount repayable (Note):		
Within one year	**188,733**	382,593
More than one year, but not exceeding two years	**110,118**	130,186
More than two years, but not exceeding three years	**103,154**	56,905
More than three years, but not exceeding four years	**27,827**	50,120
More than four years, but not exceeding five years	**–**	11,111
	429,832	630,915
Carrying amount of bank borrowings that are repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**2,534**	2,491
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**26,728**	29,266
	459,094	662,672
Less: Amounts due within one year shown under current liabilities	**(217,995)**	(414,350)
Amounts due after one year	**241,099**	248,322

Note: The amounts are based on scheduled repayment dates set out in the loan agreements.

34. SECURED BANK BORROWINGS (continued)

The interest rates for the Group's bank borrowings vary from different subsidiaries. The interest rates vary from Hong Kong banks' prime rate minus 2.75%, HIBOR plus 1% to 1.5% and variable PBC rate plus a percentage spread of 0% to 10% (2011: Hong Kong banks' prime rate minus 2.75%, HIBOR plus 1% to 1.5% and variable PBC rate plus a percentage spread of 5% to 10%). Secured bank borrowings of HK$29,262,000 (2011: HK$123,757,000) are exposed to the fluctuations of HIBOR and Hong Kong banks' prime rate while the remaining HK$429,832,000 (2011: HK$538,915,000) are exposed to the fluctuation of PBC rate. The effective interest rates for the Group ranged from 1.2% to 8.0% per annum for the year ended 31 December 2012 (2011: 1.2% – 9.0% per annum). The interest is repricing every month for secured bank borrowing of approximately HK$29,262,000 (2011: HK$123,757,000) and repricing every quarter for secured bank borrowing of approximately HK$429,832,000 (2011: HK$538,915,000). The proceeds were used as general working capital for the Group for the years ended 31 December 2012 and 2011.

35. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012 **HK$'000**	2011 HK$'000 (Restated)
Deferred tax liabilities	**–**	–
Deferred tax assets	**275**	855
	275	855

35. DEFERRED TAXATION (continued)

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Investment properties HK$'000	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2011 (originally stated)	13,368	283	(11,669)	1,982
Effect of change in accounting policy (Note 2)	(13,368)	–	10,418	(2,950)
At 1 January 2011 (restated)	–	283	(1,251)	(968)
(Credit) charge to profit or loss (restated)	–	(283)	396	113
At 31 December 2011 (restated)	–	–	(855)	(855)
Charge to profit or loss	–	–	580	580
At 31 December 2012	–	–	(275)	(275)

At the end of the reporting period, the Group has unused tax losses of approximately HK$245,790,000 (2011: HK$223,494,000) available for offset against future profits subject to approval from the relevant tax authority. Deferred tax asset has been recognised in respect of approximately HK$1,668,000 (2011 (Restated): HK$5,182,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$244,122,000 (2011 (Restated): HK$218,312,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the Group's subsidiaries in Mainland China from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the retained profits earned by the subsidiaries in Mainland China amounting to HK$35 million as at 31 December 2012 (2011: HK$26 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

36. SHARE CAPITAL

	2012 & 2011 Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January and 31 December	**2,000,000,000**	**20,000**
Issued and fully paid:		
At 1 January and 31 December	**1,152,192,469**	**11,522**

37. CHARGE ON ASSETS

As at 31 December 2012, the Group has the following charge on assets:

(i) The Group's investment properties with an aggregate carrying value of approximately HK$88,400,000 (2011: HK$74,800,000) were pledged to banks to secure for bank borrowings with an outstanding amount of approximately HK$29,262,000 (2011: HK$31,757,000).

As at 31 December 2011, the Group's assets classified as held for sale with an aggregate carrying value of approximately HK$132,000,000 were pledged to banks to secure for bank borrowings with an outstanding amount of approximately HK$92,000,000.

(ii) The Group's finance lease receivables with a carrying value of approximately HK$438,513,000 (2011: HK$536,731,000) were pledged to banks to secure for bank borrowings with an outstanding amount of approximately HK$429,832,000 (2011: HK$538,915,000).

(iii) There were bank deposits of approximately HK$31,970,000 (2011: HK$25,926,000) restricted for the repayment of bank borrowings, which will be released upon full settlement of the relevant bank borrowing with an outstanding amount of approximately HK$242,591,000 (2011: HK$139,165,000).

38. LITIGATION

GDC (an associate of the Company) received an original complaint in April 2010, a first amended complaint in July 2010 and a second amended complaint in March 2011 for damages and injunctive relief, and demand for jury trial (the "Proceeding") filed with the District Court, Central District of California Western Division of the United States (the "Court") by X6D Limited, X6D USA Inc. and XpanD, Inc. (collectively, the "X6D") against, among others, GDC and its former subsidiaries namely GDC Technology Limited, GDC Technology China Limited, GDC Technology (USA), LLC and GDC Technology of America LLC (collectively, the "Defendants") for copyright infringement, trademark and trade dress infringement, patent infringement, misappropriation of trade secrets and statutory unfair competition in relation to the 3D glasses sold by the Defendants. Sale of 3D glasses is not a core business of GDC and its subsidiaries (the "GDC Group").

The GDC Group filed its answer and counterclaims in November 2010 and amended answers and counterclaims in January 2011 and April 2011 denying X6D's allegations, asserting various affirmative defenses and asserting eight counterclaims against X6D generally that, among others, X6D did not own any valid intellectual property rights that cover the Defendants' 3D glasses and X6D wrongfully and intentionally interfered with the Defendants' prospective business relations with their potential customers. In January 2011 and May 2011, X6D filed its answers to the counterclaims denying the Defendants' allegations and asserting various affirmative defenses.

In May 2011, X6D filed with the United States Patent & Trademark Office re-issue request for all three of its design patents. In June 2011, the Defendants filed a motion to stay the litigation on the ground that the patent claims were in flux due to the re-issue applications, and that the same facts applied to the validity of all of X6D's intellectual property and trade secrets claims, and all claims involved common products. X6D filed its opposition to the motion in July 2011. The Court issued its order granting the stay as to the patent claims but denying the motion as to all non-patent claims in August 2011.

During the mediation on 9 March 2012, X6D and the GDC Group reached an agreement to settle the dispute out of the Court. The agreement to resolve the disputes was signed by the parties on 13 June 2012, the GDC Group had settled the compensation of HK$1,892,000 (equivalent to US$242,500) to Xpand, Inc. on 25 June 2012.

On 5 July 2012, the Court granted an order to dismiss the Defendants' claim against X6D in their entirety. Upon settlement of the case, no provision for the litigation is required in the consolidated financial statements of GDC.

39. OPERATING LEASES

The Group as lessor

Property rental income earned during the year was approximately HK$3,668,000 (2011: HK$6,491,000). The investment properties not classified as held for sale are expected to generate rental yield of 4.0% (2011: 4.6%) on ongoing basis. Almost all of the properties held have committed tenants for the next one to two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2012 **HK$'000**	2011 HK$'000
Within one year	**1,316**	2,338
In the second to fifth years inclusive	**450**	301
	1,766	2,639

The Group as lessee

Minimum lease payments paid under operating lease in respect of office premises during the year was approximately HK$2,344,000 (2011: HK$2,346,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 **HK$'000**	2011 HK$'000
Within one year	**2,145**	2,340
In the second to fifth years inclusive	**–**	2,145
	2,145	4,485

As at 31 December 2012 and 2011, operating lease payments represent rentals payable by the Group for certain of its office premises. Leases for properties are negotiated for a term ranging from one to five years (2011: one to five years) with fixed rentals.

40. SHARE OPTIONS SCHEMES

The Company operates share option schemes for the purpose of providing incentives or rewards to eligible participants for their contributions to the Group and/or its associated companies.

2002 Scheme

The Company adopted a share option scheme (the "2002 Scheme") on 7 June 2002.

Eligible participants of the 2002 Scheme included Directors (including executive and non-executive Directors), executives, officers, employees or shareholders of the Company or any of its subsidiaries or any of its associated companies and any suppliers, customers, consultants, advisers, agents, partners or business associates.

Share options granted to a director, executive or substantial shareholders of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-executive Directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue on the date of grant and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The period during which a share option may be exercised is determined by the Directors at their absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the 2002 Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Directors are empowered to impose at their discretion any such minimum period at the time of grant of any share options.

The exercise price in relation to each share option is determined by the Directors at their absolute discretion and shall not be less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of the share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1 as consideration for the grant of share options in accordance with the 2002 Scheme. The offer of share options must be accepted within 60 days from the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The 2002 Scheme was terminated on 29 May 2012, no further options can be granted under the 2002 Scheme. However, the share options granted under the 2002 Scheme prior to its termination shall continue to be valid and exercisable in accordance with the 2002 Scheme.

40. SHARE OPTIONS SCHEMES (continued)

2012 Scheme

The purpose of the 2012 Scheme is to replace the 2002 Scheme and to continue to enable the Company to grant share options to selected participants as incentives or rewards for their contribution or potential contribution to the Company and/or any of its subsidiaries and/or any entity in which any member of the Group holds any equity interest (the "Invested Entities"). The 2012 Scheme shall be valid and effective for a period of ten years commencing on 25 May 2012 and ending on 25 May 2022 (both dates inclusive).

Under the 2012 Scheme, the Board may, at its discretion, offer full-time or part-time employees, executives, officers or directors (including executive and non-executive directors) of the Company or any of its subsidiaries or any of the Invested Entities, and any advisors, consultants, agents, suppliers, customers and distributors, who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries and/or any of the Invested Entities, share options to subscribe for shares of the Company.

The maximum number of shares of the Company available for issue upon exercise of all share options which may be granted under the 2012 Scheme is 115,219,246, representing 10% of the issued share capital of the Company at the commencement date of the 2012 Scheme. The total number of shares of the Company issued and which may fall to be issued upon the exercise of share options to be granted under the 2012 Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the issued share capital of the Company as at the date of grant. Any further grant of share options in excess of this 1% limit shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting.

In addition, any share options granted to a substantial shareholder or an Independent Non-executive Director of the Company, or to any of their associates, which would result in the shares of the Company issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant (a) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the grant; and (b) having an aggregate value of in excess of HK$5 million (based on the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of each grant), such further grant of options shall be subject to the issue of a circular by the Company and shareholders' approval in a general meeting on a poll at which all connected persons of the Company shall abstain from voting in favour of the resolution concerning the grant of such options, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular. Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, is required to be approved by the Independent Non-executive Directors (excluding the Independent Non-executive Director who is the grantee of the options).

40. SHARE OPTIONS SCHEMES (continued)

2012 Scheme (continued)

The period during which a share option may be exercised will be determined by the Board at its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted under the 2012 Scheme. There is no requirement that a share option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of offer of any share options.

The exercise price in relation to each share option will be determined by the Board at its absolute discretion and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer of share options; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of the share of the Company on the date of offer of share options. Each of the grantees is required to pay HK$1.00 as a consideration for his acceptance of the grant of share options in accordance with the 2012 Scheme. The offer of share options must be accepted within 30 days from the date of the offer.

Share options to be granted under the 2012 Scheme do not confer rights on the holders to dividends or to vote at general meetings.

40. SHARE OPTIONS SCHEMES (continued)

The following table discloses the details of the share options and movements in the share options under the 2002 Scheme during the years ended 31 December 2012 and 2011:

For the year ended 31 December 2012

				Number of share options		
Category of grantees	**Date of grant**	**Exercise period**	**Exercise price per share**	**At 1.1.2012**	**Lapsed during the year**	**At 31.12.2012**
Directors	23.8.2002	23.8.2002 – 6.6.2012	HK$0.73	**75**	(75)	–
	6.3.2003	6.3.2003 – 5.3.2013	HK$0.76	**604**	–	**604**
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	**28,964,000**	–	**28,964,000**
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.724	**23,450,000**	–	**23,450,000**
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.54	**20,000,000**	–	**20,000,000**
Employees of the Group	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	**3,700,000**	–	**3,700,000**
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.54	**7,920,000**	–	**7,920,000**
Other participants	6.3.2003	6.3.2003 – 31.12.2011	HK$0.76	**1,330,000** (3)	(1,330,000)	–
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	**34,104,000**	–	**34,104,000**
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.724	**18,500,000**	–	**18,500,000**
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.54	**600,000**	–	**600,000**
Total				**138,568,679**	**(1,330,075)**	**137,238,604**
Exercisable at year end						**137,238,604**

40. SHARE OPTIONS SCHEMES (continued)

For the year ended 31 December 2011

				Number of share options				
Category of grantees	Date of grant	Exercise period	Exercise price per share	At 1.1.2011	Transferred to other category during the year	Transferred from other category during the year	Lapsed during the year	At 31.12.2011
Directors	23.8.2002	23.8.2002 – 6.6.2012	HK$0.73	75	–	–	–	75
	6.3.2003	6.3.2003 – 5.3.2013	HK$0.76	604	–	–	–	604
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	40,332,000	(11,368,000)[(1)]	–	–	28,964,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.724	30,450,000	(7,000,000)[(1)]	–	–	23,450,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.54	20,000,000	–	–	–	20,000,000
Employees of the Group	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	3,700,000	–	–	–	3,700,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.54	10,920,000	–	–	(3,000,000)[(2)]	7,920,000
Other participants	6.3.2003	6.3.2003 – 31.12.2011	HK$0.76	1,330,000	–	–	–	1,330,000[(3)]
	19.1.2007	19.1.2007 – 18.1.2017	HK$0.41	22,736,000	–	11,368,000[(1)]	–	34,104,000
	22.1.2008	22.1.2008 – 21.1.2018	HK$0.724	11,500,000	–	7,000,000[(1)]	–	18,500,000
	14.12.2010	14.12.2010 – 13.12.2020	HK$0.54	600,000	–	–	–	600,000
Total				141,568,679	(18,368,000)	18,368,000	(3,000,000)	138,568,679
Exercisable at year end								138,568,679

Notes:

(1) Mr. Chen Zheng resigned as a director of the Company on 27 August 2011. The Board approved the extension of the exercise periods for his share options up to 18 January 2017 and 21 January 2018 respectively. Such share options were re-classified from the category of "Directors of the Company" to "Other participants" during the year.

(2) The share options were held by a grantee who ceased to be an employee of the Group on 1 August 2011 and such share options lapsed on 1 September 2011 according to the terms of the Scheme.

(3) Subsequent to the year ended 31 December 2011, such share options lapsed on 1 January 2012.

No share options were granted and exercised during both years.

41. RETIREMENT BENEFIT SCHEMES

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong. The assets of the schemes are held separately from those of the Group in independently administered funds.

Pursuant to the relevant regulations of the government in Mainland China, the subsidiaries in Mainland China participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The municipal government is responsible for the entire benefit obligations payable to the retired employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme.

The retirement benefit costs represent gross contributions paid and payable by the Group to the schemes operated in Hong Kong and Mainland China (collectively the "Retirement Schemes"). There was no contributions payable to the Retirement Schemes at 31 December 2012 and 2011 and no forfeited contribution throughout both years.

42. RELATED PARTY TRANSACTIONS

The Controlling Shareholder of the Company defined under the Listing Rules is Shougang Holding which is a wholly-owned subsidiary of Shougang Corporation, a state-owned enterprise under the direct supervision of the State Council of the PRC. Accordingly, the Company and the Group are significantly influenced by Shougang Corporation and its subsidiaries (collectively referred as "Shougang Group"). Shougang Group is part of a larger group of companies controlled under the PRC government. The transactions and balances with Shougang Group and other PRC government-related financial institutions are disclosed below:

(a) Transactions and balances with Shougang Group

	Rental income (Note a)		Trade sales (Note b)		Consultancy fee expense (Note c)		Management fee expense (Note c)	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Shougang Group (other than Shougang Holding)	**–**	–	**–**	692	**–**	–	**–**	–
Shougang Holding	**–**	–	**–**	–	**960**	960	**–**	–
Associates of Shougang Holding	**–**	–	**220**	785	**–**	–	**840**	840
Li Shaofeng, the Chairman of the Group	**142**	142	**–**	–	**–**	–	**–**	–

42. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions and balances with Shougang Group (continued)

Notes:

(a) The transactions were carried out in accordance with the relevant lease agreements.

(b) The transactions were carried out in accordance with the relevant sales terms.

(c) The transactions were carried out in accordance with the relevant agreements.

At 31 December 2012, the Group's held-for-trading investments included listed securities of 14,870,000 shares (2011: 14,870,000 shares) of Shougang Concord Century Holdings Limited ("Shougang Century"), and 230,000 shares (2011: 230,000 shares) of Shougang Concord International Enterprises Company Limited ("Shougang International"). Shougang Century and Shougang International are associates of Shougang Holding.

(b) Transactions and balances with other PRC government-related entities

Apart from the transactions and balances with the Shougang Group as disclosed in Note 42(a), the Group has entered into various transactions in its ordinary course of business including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are government-related entities. As at 31 December 2012 and 2011, 100%, 99% and 94% and 100%, 99% and 95%, respectively, of restricted bank deposits, bank balances and bank borrowings are held with these government-related financial institutions.

(c) Compensation of key management personnel

The remuneration of the Directors and other members of key management for both years were as follows:

	2012	2011
	HK$'000	HK$'000
Short-term benefits	**8,380**	14,661
Post-employment benefit	**342**	389
	8,722	15,050

The remuneration of the Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of principal subsidiaries at 31 December 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered and paid-up capital (Note (a))	Effective equity interest attributable to the Group 2012	2011	Principal activities
Direct subsidiary					
SCG Investment (BVI) Limited	British Virgin Islands ("BVI")	HK$100,000	**100%**	100%	Investment holding
Indirect subsidiaries					
Concord Grand TV & Movie Investment Limited	BVI	US$1	**100%**	100%	Investment holding
Dunley Developments Limited	BVI	US$1	**100%**	100%	Investment holding
Durali Developments Limited	BVI	US$1	**100%**	100%	Investment holding
Grand Park Investment Limited	Hong Kong	HK$2	**100%**	100%	Property investment
Grand Phoenix Limited	BVI	US$1	**100%**	100%	Investment holding
Jeckman Holdings Limited	BVI	US$100	**100%**	100%	Investment holding
Linksky Limited	Hong Kong	HK$2	**100%**	100%	Property holding
Long Cosmos Investment Limited	Hong Kong	HK$2	**100%**	100%	Provision of administrative and management services
Lyre Terrace Management Limited	Hong Kong	HK$1,000,000	**100%**	100%	Investment holding and property investment

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered and paid-up capital (Note (a))	Effective equity interest attributable to the Group 2012	2011	Principal activities
Indirect subsidiaries (continued)					
On Hing Investment Company, Limited	Hong Kong	HK$1,000 (ordinary) HK$2,000,000 (non-voting deferred)	**100% (Note (d))**	100% (Note (d))	Property investment
SCG Capital Corporation Limited	Hong Kong	HK$20	**100%**	100%	Investment holding
SCG Finance Corporation Limited	Hong Kong	HK$20	**100%**	100%	Provision of financial services
SCG Financial Investment Limited	BVI	US$1,000	**100%**	100%	Investment holding
SCG Leasing Corporation Limited	Hong Kong	HK$2	**100%**	100%	Property investment
South China International Leasing Co., Ltd	PRC (Note (b))	US$24,000,000 (Registered capital)	**100%**	100%	Leasing of property, plant and equipment
Strenbeech Limited	BVI	HK$147,000,008	**100%**	100%	Investment holding
Tin Fung Investment Company, Limited	Hong Kong	HK$975,000 (ordinary) HK$210,000 (non-voting deferred)	**100% (Note (d))**	100% (Note (d))	Property investment
Upper Nice Assets Ltd.	BVI	US$1	**100%**	100%	Investment holding
Valuework Investment Holdings Limited	BVI	US$100	**100%**	100%	Investment holding

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered and paid-up capital (Note (a))	Effective equity interest attributable to the Group 2012	2011	Principal activities
Indirect subsidiaries (continued)					
悦康融滙投資咨詢(深圳)有限公司 Ecko Investment Company Limited*	PRC (Note (c))	HK$11,700,000 (Registered capital)	**100%**	100%	Investment holding
深圳市悦康融滙貿易發展有限公司 Ecko Trading Development Company Limited*	PRC (Note (c))	RMB2,000,000 (Registered capital)	**90%**	90%	Trading

Notes:

(a) All issued share capital are ordinary shares unless otherwise stated.

(b) This entity is sino-foreign equity joint venture.

(c) These entities are limited liability enterprises.

(d) Interests only refer to ordinary shares which are voting shares.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of Directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

* *For identification purpose only*

44. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2012 HK$'000	2011 HK$'000
Non-current asset		
Investment in a subsidiary	**231,154**	231,154
Current assets		
Prepayment, deposits and other receivables	**194**	194
Bank balances and cash	**119**	88
	313	282
Current liabilities		
Other payables and accruals	**102**	102
Amount due to subsidiaries	**85,703**	85,668
	85,805	85,770
Net current liabilities	**(85,492)**	(85,488)
Net assets	**145,662**	145,666
Capital and reserves		
Share capital	**11,522**	11,522
Reserves	**134,140**	134,144
Total equity	**145,662**	145,666

44. SUMMARY FINANCIAL INFORMATION OF THE COMPANY (continued)

Reserves

	Share premium HK$'000	Contributed surplus reserve HK$'000	Share options reserve HK$'000	Deficits HK$'000	Total HK$'000
At 1 January 2011	1,007	113,441	29,088	(9,423)	134,113
Profit for the year	–	–	–	31	31
Lapse of share options	–	–	(584)	584	–
At 31 December 2011 and 1 January 2012	1,007	113,441	28,504	(8,808)	134,144
Loss for the year	–	–	–	(4)	(4)
At 31 December 2012	**1,007**	**113,441**	**28,504**	**(8,812)**	**134,140**

PARTICULARS OF MAJOR PROPERTIES

Details of the Group's major properties at the end of the reporting period are as follows:

LOCATION		EXISTING USE	LEASE TERM	ATTRIBUTABLE INTEREST OF THE GROUP
Investment properties				
1.	16th Floor and roof and car parking space nos. 7, 8 and 9, Manson Industrial Building, S.I.L. 739 A Kung Ngam Road, A Kung Ngam, Shaukeiwan, Hong Kong	Industrial	Long	100%
2.	Flat 55 on 15th Floor of Tower 8 (of Parkview Rise) and Carparking Space No.283 on Car Park Entrance 3 (Level 4) Hong Kong Parkview, No. 88 Tai Tam Reservoir Road, Tai Tam, Hong Kong	Residential	Long	100%
3.	Flat 9 on 23rd Floor and Flat 7 on 25th Floor, Apartment Tower on the Western Side, Convention Plaza, No. 1 Harbour Road, Wanchai, Hong Kong	Residential	Long	100%
4.	Flat 1612 of Block Q and Flat 2904 of Block R, Kornhill, Quarry Bay, Hong Kong	Residential	Long	100%

PARTICULARS OF MAJOR PROPERTIES

LOCATION		EXISTING USE	LEASE TERM	ATTRIBUTABLE INTEREST OF THE GROUP
Investment properties (continued)				
5.	Room 2907 on 29th Floor, West Tower, Shun Tak centre, Nos. 168-200 Connaught Road Central, Hong Kong	Commercial	Long	100%
6.	A space known as A35 on Ground Floor, Villa Verde, Guildford Road, The Peak, Hong Kong	Residential	Long	100%
7.	Flat 2602 of Block N, Kornhill, Quarry Bay, Hong Kong	Residential	Long	100%
Buildings				
1.	Eight Offices on 23rd Floor, Times Financial Centre, No. 4001 Shennan Road, Futian District, Shenzhen, Guangdong Province, The People's Republic of China	Commercial	Long	100%

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2008 HK$'000 (Restated)	2009 HK$'000 (Restated)	2010 HK$'000 (Restated)	2011 HK$'000 (Restated)	**2012** **HK$'000**
RESULTS					
Continuing operations					
Revenue	135,169	109,247	57,147	67,505	**55,534**
Cost of sales	(105,165)	(69,918)	(31,653)	(44,012)	**(34,969)**
Gross profit	30,004	39,329	25,494	23,493	**20,565**
Other income	2,321	528	2,590	5,487	**8,109**
Interest income from entrusted loan receivables	3,674	3,882	307	12	**–**
Distribution costs and selling expenses	(2,579)	(2,589)	(928)	(2,044)	**(1,007)**
Administrative expenses	(44,805)	(35,660)	(37,695)	(48,425)	**(34,182)**
Impairment loss on finance lease receivables	–	–	(21,201)	(8,225)	**–**
Finance costs	(4,083)	(2,958)	(2,649)	(2,100)	**(553)**
Share of results of associates	–	–	(16,388)	166,521	**24,659**
Impairment loss on interests in an associate	–	–	–	(66,994)	**(30,000)**
(Decrease) increase in fair value of investment properties	(15,960)	24,961	38,140	65,055	**13,600**
Discount on acquisition of additional interest in a subsidiary	–	2,154	–	–	**–**
Profit (loss) on disposal of partial interests and dilution of interests in an associate	–	–	1,358	(6,883)	**–**
Changes in fair value of held-for-trading investments	(37,080)	16,814	(282)	(10,441)	**3,229**
(Loss) profit before tax	(68,508)	46,461	(11,254)	115,456	**4,420**
Income tax expense	(2,868)	(5,387)	(3,684)	(2,465)	**(2,372)**
(Loss) profit for the year from continuing operations	(71,376)	41,074	(14,938)	112,991	**2,048**
Discontinued operations					
(Loss) profit for the year from discontinued operations	(86,552)	18,099	135,233	–	**–**
(Loss) profit for the year	(157,928)	59,173	120,295	112,991	**2,048**
Attributable to:					
Owners of the Company	(119,625)	39,330	30,368	112,978	**2,024**
Minority interests/Non-controlling interests	(38,303)	19,843	89,927	13	**24**
	(157,928)	59,173	120,295	112,991	**2,048**

FIVE-YEAR FINANCIAL SUMMARY

	As at 31 December				
	2008 HK$'000 (Restated)	2009 HK$'000 (Restated)	2010 HK$'000 (Restated)	2011 HK$'000 (Restated)	**2012** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	2,419,002	2,108,829	1,374,428	1,572,252	**1,370,503**
Total liabilities	(1,546,032)	(1,209,027)	(667,067)	(735,054)	**(524,286)**
	872,970	899,802	707,361	837,198	**846,217**
Equity attributable to owners of the Company	553,440	611,425	706,700	836,470	**845,456**
Share options reserve of subsidiaries	54,603	33,120	–	–	**–**
Minority interests/ Non-controlling interests	264,927	255,257	661	728	**761**
	872,970	899,802	707,361	837,198	**846,217**

Note: The financial information for the years ended 31 December 2008, 2009, 2010 and 2011 have been restated as a result of the application of the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* effective for the annual period beginning on 1 January 2012.