South China (China) Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 413

Annual Report 2012

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Hung Sang (*Chairman*)
Ms. Cheung Choi Ngor
(*Vice-chairman and Chief Executive Officer*)
Mr. Richard Howard Gorges (*Vice-chairman*)
Mr. Ng Yuk Fung Peter
Mr. Law Albert Yu Kwan
Mr. Yeung Kwong Sunny

Non-executive Director

Ms. Ng Yuk Mui Jessica

Independent Non-executive Directors

Mr. Chiu Sin Chun
Mrs. Tse Wong Siu Yin Elizabeth
Ms. Li Yuen Yu Alice
Mr. Yip Dicky Peter, J.P.
Dr. Leung Tony Ka Tung
Mr. Lau Lai Chiu Patrick

AUDIT COMMITTEE

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

REMUNERATION AND NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Law Albert Yu Kwan

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Chong Hing Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Nanyang Commercial Bank, Limited
China CITIC Bank International Limited
China Construction Bank Corporation
AFC Merchant Bank

REGISTERED OFFICE

Floor 4
Willow House
Cricket Square
P O Box 2804
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL PLACE OF BUSINESS

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

413

WEBSITE OF THE COMPANY

http://www.scchina.co

Chairman's Statement and Management Discussion and Analysis

I am pleased to report the activities of South China (China) Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2012.

FINANCIAL SUMMARY

The Group recorded a revenue of HK$2.4 billion and profit after tax of HK$325.8 million for the year ended 31 December 2012. Comparing to the corresponding period in 2011, revenue decreased by 24.1% and profit after tax increased by 3.0%.

DIVIDEND

The board of directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

BUSINESS REVIEW

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

Trading and Manufacturing

The trading and manufacturing segment mainly comprises three principal business units, Wah Shing Toys, Wah Shing Electronics and South China Shoes. The segment recorded 24.6% decrease in revenue to HK$2.2 billion and 73.1% decrease in operating profits to HK$37.2 million for the year ended 31 December 2012.

The decrease in revenue and operating profits of this segment was largely the impact of the sluggish global economy and European debt crisis in the year of 2012 that posed serious challenges to the trading and manufacturing business by hampering the consumers' confidence and weakening the market demand. The decrease in customers' orders and the relatively slow delivery schedule throughout the year of 2012 resulted in the decrease in revenue and operating profits.

Wah Shing Toys, which contributed approximately 79.6% of the segment revenue recorded a 20.5% decrease in revenue. Owing to the lower sales level, Wah Shing Toys recorded a 39.9% decrease in profit from operation despite the management effort in cost reduction. Wah Shing Electronics, which contributed HK$367.2 million, or 12.4% of revenue and HK$28.9 million or 20.9% of operating profit to this segment in 2011, recorded a revenue of HK$176.9 million, representing a 51.8% decrease in revenue, and operating loss of HK$15.6 million for the year ended 31 December 2012.

With the expectation that the production costs, in particular wages and raw materials, and the Renminbi ("RMB") exchange rate would stabilize or increase at a much smaller magnitude, and management's effort in cost control and savings in response to the change in market conditions, the management is confident that there will be a gradual improvement in profit margin and operating profit.

Property Investment and Development

Revenue from the property investment and development segment decreased by 10.0% to HK$96.8 million for the year ended 31 December 2012 as compared to the corresponding period in 2011. This is largely attributable to the one-off retrospective rental adjustment of HK$34.7 million agreed with a tenant in Nanjing in 2011 and, hence, recognized in prior year. Revenue other than the non-recurring one-off rental adjustment increased by 33.0% or HK$24.0 million. The increase in revenue primarily reflects the effect of tenancy renewal, periodic rental adjustments under the clauses of the existing tenancy agreements and new tenants. The fair value gain on investment properties and investment properties held for sale increased by 161.4%, or HK$165.5 million, to HK$268.0 million in aggregate, resulting in a 48.1% increase in operating profit after fair value gain to HK$264.6 million as compared to the corresponding period in 2011. The Group incurred leasing and preliminary costs, totaling HK$62.2 million, for the shopping mall in Shenyang after the commencement of the entrusted management agreement. This turned the operating profit before fair value gain of HK$76.1 million in 2011 to an operating loss before fair value gain of HK$3.4 million in 2012. Details about the entrusted management agreement were set out in the Company's circular dated 19 December 2011.

The Group's 30% owned principal associate that holds The Centrium, a Grade-A commercial building in Central, Hong Kong, generated profit before tax from operation attributable to the Group of HK$40.4 million, representing an increase of HK$3.9 million, due to the renewal of certain tenancy agreements. The Group's share of fair value gain on the property for the year ended 31 December 2012 amounts to HK$232.5 million.

Agriculture and Forestry

In line with the Group's strategy to be one of the active market players in the Mainland's agriculture industry, we cautiously continued our effort in expanding our farmland gradually. In 2012, the Group entered into new leases for approximately 77,000 mu of woodlands and approximately 2,000 mu of farmlands in Chongqing and Wuhan.

Revenue from the agriculture and forestry segment decreased by 22.5% to HK$27.2 million for the year ended 31 December 2012 as compared with 2011.

The agriculture and forestry segment recorded an operating loss before fair value loss of HK$81.9 million in 2012 as compared to the operating loss before fair value loss of HK$34.4 million in 2011, representing a 138.1% increase in operating loss before fair value loss. The write-off of biological assets due to surrender of land, losses identified in physical counts and damage caused by adverse weather conditions, coupled with the increase in operating costs due to the increase in acreage during the year, resulted in the abovementioned increase in operating loss before fair value loss in 2012. The fair value loss on biological assets decreased by 72.4%, to HK$12.9 million in 2012 as compared to HK$46.5 million in 2011.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, the Group had a current ratio of 1.0 and a gearing ratio of 6.4% (31 December 2011: 1.1 and 2.4% (restated), respectively). The gearing ratio is computed by comparing the Group's total long-term bank and other borrowings of HK$198.5 million to the Group's equity of HK$3.1 billion. The Group's operation and investments continued to be financed by internal resources and bank borrowings.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

As at 31 December 2012, the Group had no significant exposure to fluctuations in foreign exchange rates and any related hedges.

CAPITAL STRUCTURE

The Group had no debt securities or other capital instruments as at 31 December 2012. There was no material change in the Group's capital structure as compared to the 2011 annual report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal during the year ended 31 December 2012.

On 4 July 2012, Even Dragon Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a direct wholly-owned subsidiary of South China Land Limited ("SCL") (the "Vendor"), whereby the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the sale shares, being the entire issued share capital of Splendor Sheen Limited, at a consideration of approximately HK$1,589 million. Pursuant to the terms of the sale and purchase agreement, the deed to terminate the entrusted management agreement was signed by the relevant subsidiaries of the Company and SCL on the date of the sale and purchase agreement whereby the entrusted management agreement is terminated subject to and upon completion of the transaction contemplated under the sale and purchase agreement. Details of the acquisition were set out in the Company's announcement and circular dated 12 July 2012 and 19 October 2012, respectively.

This transaction was approved by independent shareholders on 13 November 2012 and completed on 16 January 2013.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2012, a significant portion of the borrowings was for normal trading purposes with the level of borrowings depending on the level of trading and investing activities. Certain of the leasehold land and building, investment properties, non-current assets classified as held for sale, inventories and shares in a wholly-owned subsidiary of the Group that holds the interest in an associate were pledged to secure the banking facilities.

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

INVESTMENTS

For the year ended 31 December 2012, available-for-sale financial assets increased from HK$46.0 million to HK$57.4 million and financial assets at fair value through profit or loss increased from HK$26.9 million to HK$39.6 million.

EMPLOYEES

As at 31 December 2012, the total number of employees of the Group was approximately 14,700 (2011: 17,800).

Employees' costs (including directors' emoluments) amounted to approximately HK$772.9 million for the year ended 31 December 2012 (2011: HK$934.6 million).

In addition to salary, other fringe benefits such as medical subsidies, provident fund and subsidized training programs are offered to all employees of the Group.

Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on his/her performance. Employees may also be granted share options under the share option schemes and share awards under the share award scheme adopted by the Company. Details of the share option schemes and the share award scheme are set out in notes 40 and 39 to the financial statements respectively.

PROSPECTS

Trading and Manufacturing

The year of 2012 was a challenging and tough year. The various US economic indexes published in 2012 continued to show signs of economic recovery, suggesting that the US economy has gone through its toughest period and is moving to the track of economic recovery.

The Group is cautiously optimistic as to the ongoing performance of our trading and manufacturing segment. The Group expected that the increase in labor and material costs and the appreciation of RMB during 2013 would be at a much smaller magnitude than in 2012, and is, therefore, confident that the results of this segment in 2013 will improve over the year 2012 in view of the anticipated economic recovery. In order to improve our profit margin and mitigate the risk of concentration, the Group will continue its effort to expand our product range, enlarge our customer base and negotiate with customers to ensure that our current costs are reflected in the pricing. On the cost improvement, the Group will continue its effort to ensure cost effective operation are in place in every aspect of the operations. We believe that this effort will bring positive contribution to the bottom line of the segment.

Property Investment and Development

The Group has a property portfolio of more than 400,000 square meters in China and 291,000 square feet in Hong Kong. The investment properties in China are mostly in prime locations, and offer strong redevelopment potential.

Rental in China mainly comes from Nanjing. The Group's principal investment properties are located in prime locations of Nanjing. One of these hidden gems is the Shi Zi Qiao (Lion Bridge), which is a traditional pedestrian/food street at the Gulou district in the centre of Nanjing. These shops carry great potential for further increase in rental on the expiry of the current lease agreements. The Group also sees the hidden strength and value of the site as a large-scale shopping mall when a redevelopment plan is agreed with the local government.

Another property in Nanjing is the 29,000 square meters site in Yuhuatai. The site is currently operated by the existing tenants as a flower wholesale market. Given the prime location and close proximity to the metro station, it has great potential for redevelopment in the future to fully release its hidden strength and value.

These properties, together with the industrial sites in Tianjin and the lychee plantation in Zhengcheng, offer the Group redevelopment opportunities. Currently, the Group is evaluating and exploring these opportunities with respective local governments. The Group is continuously looking for possible redevelopment opportunities for its properties in China in order to maximize their return to shareholders.

On 4 July 2012, Even Dragon Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to acquire the entire issued share capital of Splendor Sheen Limited at a consideration of approximately HK$1,589 million. Pursuant to the terms of the sale and purchase agreement, the entrusted management agreement was terminated upon completion of the transaction. The transaction was completed on 16 January 2013. The Group then became the owner of the shopping mall operation in Shenyang. We believe that the acquisition enables the Group to widen its property leasing business to cover shopping mall related operations in the medium to long term and provides the Group a new and steady revenue stream. During the year, the Group had strengthened its shopping mall management team through recruitment of senior executive with years of shopping mall management experience in China. The Group has vacated the shopping mall for fitting out work with a view to target the young generation aged around 25 to 35, and expected to launch the shopping mall with a new image in the second half of 2013 after the revamp.

The Group expected that revenue and contribution from property investment and development segment would continue to grow and become one of the Group's major recurring and reliable income sources. Meanwhile, the Group will continue to unload its non-core investment properties in Hong Kong in order to reallocate more resources to our projects in Mainland China.

Agriculture and Forestry

The Group currently has long-term leases of approximately 445,000 mu of woodland, farmland, fishpond and lake space in various major provinces in China. We are focusing on the plantation of fruits and crops, such as apples, lychee, winter date fruits, peach, pears, corns, cotton and potatoes, and breeding of livestock, such as pigs, for sale. The Group will continue to explore plantation opportunities for high profit margin species. During the year, the Group had strengthened its management team by recruiting senior executives with years of management experience at senior level to assist in the implementation of the Group's agriculture and forestry strategy. With the plantation experience gained in the past years, we expected that the agriculture segment will gradually generate sustainable profit to the Group in future.

APPRECIATION

On behalf of the Board, I wish to express my gratitude to our customers and shareholders for their continued support and all our staff members for their hard work and dedicated services.

Ng Hung Sang
Chairman

Hong Kong, 26 March 2013

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 63, is an Executive Director, the Chairman and a member of the Executive Committee of the Company. Mr. Ng is actively involved in the overall corporate policies, strategic planning and business development of the Group. Mr. Ng is also an executive director and the chairman of South China Financial Holdings Limited ("SCF"), South China Holdings Limited ("SCH") and South China Land Limited ("SCL"). He holds a Master degree in marketing from Lancaster University in the United Kingdom and is a fellow member of the Chartered Institute of Management Accountants. Mr. Ng was appointed as a Director of the Company on 24 June 1992. Mr. Ng is the father of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company, and Mr. Ng Yuk Fung Peter, an Executive Director of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 59, is an Executive Director, the Vice-chairman, Chief Executive Officer and a member of the Executive Committee of the Company. She is also an executive director and a vice-chairman of SCF, an executive director of SCH and SCL. She holds a Master degree in business administration from University of Illinois in the United States of America. Ms. Cheung is a member of National Committee of the Chinese People's Political Consultative Conference. Ms. Cheung was appointed as a Director of the Company on 24 June 1992. She is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Richard Howard Gorges, aged 69, is an Executive Director, the Vice-chairman and a member of the Executive Committee of the Company. He is an executive director and the vice-chairman of SCF and an executive director of SCH and SCL. He holds a Master degree in law from Cambridge University in the United Kingdom. Mr. Gorges was appointed as a Director of the Company on 24 June 1992. He is a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Ng Yuk Fung Peter, aged 32, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director of SCH and SCL. Mr. Ng holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom and is an associate member of the Chartered Institute of Management Accountants. He is also a member of Nanjing Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Ng was appointed as an Executive Director of the Company on 17 June 2002. He is the son of Mr. Ng Hung Sang, the Chairman of the Company, and the brother of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company.

Mr. Law Albert Yu Kwan, aged 63, is an Executive Director, the chief financial officer, a member of the Executive Committee and company secretary of the Company and the group chief financial officer of the South China group. He is also an executive director of SCL, and an independent non-executive director and the chairman of the audit committee of Guangzhou Automobile Group Company Limited. Mr. Law has been the president of the Institute of Accountants in Management since 2007. Previously, Mr. Law held various positions including the managing director of A. A. and Associates Consulting International Limited from April 2006 to January 2011, financial controller of K.Wah Construction Materials Limited from June 1997 to April 2006 (responsible for finance and accounting, legal, information technology and treasury), managing director of K.K. Yeung Financial Management Consultants International Limited from July 1996 to June 1997 (responsible for marketing, business development and overseas consulting projects) and assistant general manager (responsible for finance, accounting and administration) of Winning Management Company Limited (a Hong Kong real estate holding and investment group) from November 1990 to March 1995. Mr. Law had also served as the president of the UK Chartered Institute of Management Accountants (Hong Kong Division) in 2006/2007 and the chairman of the enterprise governance committee under the said institute from 2003 to 2007. Mr. Law is a fellow member of the Chartered Institute of Management Accountants, an associate member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of International Accountants in England, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of Hong Kong Society of Registered Financial Planners, and a fellow member of the Taxation Institute of Hong Kong. Mr. Law was appointed as a Director of the Company on 10 December 2012.

Mr. Yeung Kwong Sunny, aged 58, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director of SCL. He has extensive experience in architecture, property and project management. Mr. Yeung was an executive director of Sino Land Company Limited ("Sino Land") from July 2008 to June 2011, and held the positions of associate director and general manager of Sino Land during 2005 to 2008. He had also held senior positions at various reputable organizations, including chief operating officer of K. Wah International Holdings Limited and assistant project director of Wharf Limited. Mr. Yeung holds a Bachelor degree in Architecture from the University of Hong Kong, a Certificate in Quality Management from The Royal Australian Institute of Architects, a Master of Arts degree in Arbitration and Dispute Resolution from City University of Hong Kong and a Master of Laws degree (LLM) from University of London. He is a member of The Hong Kong Institute of Architects, a registered architect in Hong Kong, a barrister of The Inner Temple in London, a panel mediator and a listed arbitrator of The Hong Kong International Arbitrators Centre and a fellow of the Chartered Institute of Arbitrators. Mr. Yeung was appointed as an Executive Director of the Company on 10 December 2012.

NON-EXECUTIVE DIRECTOR

Ms. Ng Yuk Mui Jessica, aged 34, is a Non-executive Director of the Company, SCH and SCL, and the chief executive officer of South China Media Limited. Ms. Ng holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom, and was admitted to the Hong Kong Bar in 2006. Ms. Ng is an associate member of the Chartered Institute of Management Accountants and a member of Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. Ms. Ng was appointed as an Executive Director of the Company on 17 June 2002 and redesignated as Non-executive Director of the Company with effect from 1 July 2005. She is the daughter of Mr. Ng Hung Sang, the Chairman of the Company, and the elder sister of Mr. Ng Yuk Fung Peter, Executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Sin Chun, aged 65, has more than 30 years' experience in the newspaper and media industry. Mr. Chiu was appointed as an Independent Non-executive Director of the Company on 20 August 2001.

Mrs. Tse Wong Siu Yin Elizabeth, aged 55, is an Independent Non-executive Director of the Company, SCH and SCF, the chairman of the Hong Kong Flower Retailers Association, the convenor of Youth Skills Competition in Floristry of Vocational Training Council, the technical advisor of the Environmental Services Industry of Employees Retraining Board, a member of the judge panel of Hong Kong Flower Show and she received an award of the Hundred Outstanding Women Entrepreneur in China in 2009. Mrs. Tse holds a Bachelor degree in Science from the University of Western Ontario in Canada. Mrs. Tse was appointed as an Independent Non-executive Director of the Company on 19 October 2004.

Ms. Li Yuen Yu Alice, aged 43, is an Independent Non-executive Director of the Company, director of Cheng & Cheng Limited, Certified Public Accountants in Hong Kong. She received her Accounting degree from Monash University, Australia in 1994 and was admitted as a Certified Public Accountant in Australia in 1997 and in Hong Kong in 1998. She is a fellow member of the Taxation Institute of Hong Kong. Ms. Li was appointed as an Independent Non-executive Director of the Company on 28 September 2004.

Mr. Yip Dicky Peter, J.P., aged 65, is an Independent Non-executive Director and a member of the Audit Committee and Remuneration and Nomination Committee of the Company. He is also an independent non-executive director of Sun Hung Kai Properties Limited ("SHKP") and a member of both the audit committee and the nomination committee of SHKP. Mr. Yip joined The Hongkong and Shanghai Banking Corporation Limited ("HSBC") in Hong Kong in 1965 with working experiences in various sectors, serving in London, Hong Kong, San Francisco and the Mainland China. Mr. Yip has worked in a number of departments of HSBC, which included trade services, corporate banking, group consultancy service and regional training. His previous assignments prior to becoming the chief executive of China Business had been in personal financial services, covering jobs in marketing, card products, customer service and sales, with responsibilities over consumer business in Hong Kong. Mr. Yip was appointed as the chief executive of China business and based in Shanghai from January 2003 to April 2005. Meanwhile, he was also a director of the

Bank of Shanghai, Ping An Insurance and Ping An Bank in China. Mr. Yip became a general manager of HSBC in April 2005 until his retirement from HSBC on 30 June 2012. He also served as the executive vice president of Bank of Communications Co., Ltd. since April 2005 and resigned from such office with effect from 1 July 2012.

Mr. Yip joined the Institute of International Finance in July 2012 as chief representative for the Asia-Pacific Region. He is also a China consultant of PricewaterhouseCoopers and an elected associate member of the Chartered Institute of Bankers, London. Mr. Yip has been granted a Certified Financial Planner certification by the Institute of Financial Planners of Hong Kong and certified as Certified Financial Management Planner by the Hong Kong Institute of Bankers. Mr. Yip was educated in Hong Kong with an MBA from The University of Hong Kong. He received the Ten Outstanding Young Persons Award in 1984 for his contribution to the banking industry and the community in Hong Kong. Mr. Yip was awarded the MBE by the British Government in 1984. In 1999, he was appointed as Unofficial Justice of Peace in Hong Kong. In 2000, he was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region. In June 2008, he was elected as a member of Shanghai Committee of the Chinese People's Political Consultative Conference. In addition, he is the honorary chairman of Hong Kong Chamber of Commerce in China and a member of Financial Planning Standards Council of China.

Mr. Yip is active in community and youth activities in Hong Kong and is a member of a number of service organisations such as Hong Kong Committee for United Nations Children Fund and the 8th National Council of Red Cross Society of China. Mr. Yip was appointed as an Independent Non-executive Director of the Company on 10 December 2012.

Dr. Leung Tony Ka Tung, aged 63, is an Independent Non-executive Director of the Company and SCL. Dr. Leung has over 35 years of experience in property and hotel industry through his prior employments with the Lands Department of Hong Kong Government and various prominent listed property developers, such as The Hong Kong Land Co. Ltd., Hysan Development Co. Ltd., Lai Sun Development Co. Ltd. and Ryoden Development Ltd., and a leading surveyor company, Chesterton Petty Ltd., in Hong Kong. He was the Founder of TL Property Consultants International Limited and is the Chairman of TL Property Group companies.

Dr. Leung holds a Doctorate Degree of Philosophy in Business Administration from Empresarial University, a Master Degree of Science in International Real Estate (with Distinction) from The Hong Kong Polytechnic University and a Bachelor Degree in Social Science (Hons) in Economics and Business Administration from Chung Chi College of The Chinese University of Hong Kong.

Dr. Leung is a registered professional surveyor (GP) in Hong Kong, a fellow member of The Hong Kong Institute of Surveyors ("HKIS"), a fellow member of The Royal Institution of Chartered Surveyors ("RICS") and a fellow member of Hong Kong Institute of Real Estate Administrators ("HIREA"). He is the Founder Chairman and a Past President of the HIREA, a member of the Supervisory Board, Nominating Committee and Audit Committee of the Hong Kong Housing Society, a member of Appeal Tribunal Panel of the Planning and Lands Branch of the Development Bureau of Hong Kong Special Administrative Region , a Past Vice President and a council member of The Hong Kong Real Estate Association, the Deputy Honorary Secretary of the Hong Kong Professionals and Senior Executives Association, a Honorary Advisor and Honorary Mentor of Society of Business Administration of The Chinese University of Hong Kong, an Academic Consultant of The Institute for Sustainable Development in Macau University of Science & Technology, an Assessment of Professional Competence (APC) mentor of RICS (Hong Kong Branch), a visiting professor of Overseas Education College Shanghai Jiaotong University, a member of The Chinese People's Political Consultative Conference, Xuhui District, Shanghai, a member of The Chinese People's Political Consultative Conference, Chongzuo, Guangxi, a council member of Shanghai Overseas Chinese Friendship Association, a council member of Shanghai Xuhui China Overseas Friendship Association, a Honorary President of the Hong Kong Guangxi Youth Association and a Honorary President of the Hong Kong Guangxi Chongzuo City Friendship Association. Dr. Leung also holds various positions with HKIS, including the member of Board of Professional Development, Board of Education, CEPA, Community and Charity Service and Public and Social Affairs Committees of HKIS, and serves in the Panel of Expert and as a Vice Chairman of the Planning and Development Division. Dr. Leung was appointed as an Independent Non-executive Director of the Company on 10 December 2012.

Mr. Lau Lai Chiu Patrick, aged 62, is an Independent Non-executive Director of the Company and SCL. He has 35 years' experience in serving various bureaux and departments of the Government of the Hong Kong Special Administrative Region ("HKSARG") and the preceding government with scope of work spanned across Hong Kong's external trade and industrial policies, multilateral trade negotiations, training and development of civil servants, district administration and community development. Mr. Lau was an Advisor (Private Hospital Tender Assessment) of the Food and Health Bureau of the HKSARG. In 1997, Mr. Lau was appointed as the Deputy Secretary for Planning and Lands of the Planning, Environment and Lands Bureau of HKSARG, and participated in the formulation of policies and legislation on land planning, use, and administration. Subsequently, Mr. Lau was appointed as the Deputy Head and Acting Head of the Central Policy Unit of the HKSARG and responsible for the compilation of the Chief Executive's Policy Address and policy research. In 2002, Mr. Lau was appointed as Director of Lands of HKSARG and oversaw the implementation of policies on management, acquisition and disposal of government lands and on the sale of real estate development prior to completion. He retired from the post of Director of Lands in June 2007.

Mr. Lau graduated from The University of Hong Kong with a Bachelor Degree in Social Sciences (Hons). He was awarded the Silver Bauhinia Star in 2007 in recognition of his dedicated and meritorious service to the HKSARG and the Hong Kong community, particularly in the areas of planning and lands. He is presently a director of the Board of the Hong Kong Countryside Foundation, an advisor of the Hong Kong Ideas Centre, a Vice-President of the Hong Kong Professionals and Senior Executives Association, a member of the Audit Committee of the Hong Kong Housing Society, a member of the Land, Rehousing & Compensation Committee of Urban Renewal Authority, a member of the Public Administration Advisory Board, Department of Politics and Public Administration of The University of Hong Kong, a Senior Advisor of the Association of China Trend Studies (HK) and an Honorary Advisor of Construction Professionals' Development Centre. Mr. Lau was appointed as a Director of the Company on 3 March 2013.

Directors' Report

The directors of the Company (the "Directors") submit their report and the audited consolidated financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2012 and state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 121 of this Annual Report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 122 of this Annual Report. This summary does not form part of the audited financial statements.

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

Details of movements in the property, plant and equipment, investment properties and non-current assets classified as held for sale of the Group during the year are set out in notes 14, 15 and 31 to the financial statements, respectively. Further details of the Group's investment properties and non-current assets classified as held for sale are set out on pages 123 to 128 of this Annual Report.

SHARE CAPITAL

Details of movement in the shares, share options, share awards and redeemable convertible preference shares of the Company during the year are set out in notes 39 and 40 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company (the "Articles") or the laws of the Cayman Islands.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

In 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company, except that the trustee of the Company's employees' share award scheme, purchased a total of 21,328,000 shares of the Company at a total consideration of approximately HK$12,719,000 pursuant to the terms of the rules and trust deed of the scheme during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 41 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$87,034,000.

DIRECTORS

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

Executive Directors:

Ng Hung Sang (*Chairman*)
Cheung Choi Ngor (*Vice-chairman and Chief Executive Officer*)
Richard Howard Gorges (*Vice-chairman*)
Ng Yuk Fung Peter
Law Albert Yu Kwan (appointed on 10 December 2012)
Yeung Kwong Sunny (appointed on 10 December 2012)

Non-executive Director:

Ng Yuk Mui Jessica

Independent Non-executive Directors:

Li Yuen Yu Alice
Tse Wong Siu Yin Elizabeth
Chiu Sin Chun
Yip Dicky Peter (appointed on 10 December 2012)
Leung Tony Ka Tung (appointed on 10 December 2012)
Lau Lai Chiu Patrick (appointed on 3 March 2013)

In accordance with Article 116 of the Articles, Mr. Ng Hung Sang, Ms. Cheung Choi Ngor and Mrs. Tse Wong Siu Yin Elizabeth will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with Article 99 of the Articles, Mr. Law Albert Yu Kwan, Mr. Yeung Kwong Sunny, Mr. Yip Dicky Peter, J.P., Dr. Leung Tony Ka Tung and Mr. Lau Lai Chiu Patrick will also retire at the forthcoming annual general meeting of the Company and be eligible for re-election.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of the Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from each of the Independent Non-executive Directors, namely Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin Elizabeth and Ms. Li Yuen Yu Alice for the year ended 31 December 2012, and Mr. Yip Dicky Peter, J.P. and Dr. Leung Tony Ka Tung for the period between 10 December 2012 and 31 December 2012 and as at the date of this report, the Company still considers the Independent Non-executive Directors to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 7 and 10 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules, were as follows:

(a) the Company

(i) *Long positions in shares*

Name of Director	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding
Ng Hung Sang ("Mr. Ng")	Beneficial owner	185,706,917	1,883,283,829	63.01%
	Interests of spouse	53,500,000		
	Interest of controlled corporations	1,644,076,912 (*Note a*)		
Ng Yuk Fung Peter	Beneficial owner	162,944,000	162,944,000	5.45%
Ng Yuk Mui Jessica	Beneficial owner	68,280,000	68,280,000	2.28%
Law Albert Yu Kwan ("Mr. Law")	Beneficial owner	216,000 (*Note b*)	216,000	0.01%

(ii) *Long positions in underlying shares*

Share options

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

(b) Associated corporation

Long positions in shares

Prime Prospects Limited ("Prime Prospects") (Note d)

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

Notes:

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

(b) The 216,000 shares of the Company were vested in Mr. Law under the employees' share award scheme of the Company in 2012. He had also been granted 736,000 shares under the employees' share award scheme of the Company with various vesting dates during the period from 30 June 2013 to 31 December 2014.

(c) Please refer to the details set out in note 40 headed "Share Option Schemes" to the financial statements.

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

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

SHARE OPTION SCHEMES

The Directors, employees of the Group and participants as described under the relevant share option schemes of the Company are entitled to participate in the share option schemes of the Company. Particulars of the share option schemes of the Company together with details of the share options granted were set out in note 40 to the financial statements. Certain Directors are entitled to participate in the share option schemes of the Company. Details of the share options granted by the Company to the Directors were set out under the section "Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" of this report.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company adopted an employees' share award scheme (the "Share Award Scheme") for recognizing the contributions by certain employees of the Group, giving incentive to them in order to retain them for the continual operation and development of the Group and attracting suitable personnel for the development of the Group. Pursuant to the Share Award Scheme, a sum up to HK$60 million will be used until 31 December 2013 for the purchase of shares of the Company and/or South China Land Limited ("SCL") from market which will be held on trust by the trustee for the selected employees of the Group. The selected employees and the reference awarded sum for the purchase of shares to be awarded shall be determined by the Board from time to time at its absolute discretion. Details of the Share Award Scheme are set out in note 39 to the financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

PENSION SCHEMES

Details of the pension schemes of the Group are set out in note 2.4 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

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

MANAGEMENT CONTRACTS

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

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

As at 31 December 2012, the following persons, other than the Directors and chief executives of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in shares

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

Notes:

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

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

Save as disclosed above, as at 31 December 2012, no person, other than the Directors or chief executives of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation", had registered any interests or short positions in the shares or underlying shares of the Company that was required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ng is an Executive Director and the controlling shareholder of South China Holdings Limited ("SCH") and SCL.

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

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

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

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

Save as disclosed above, as at 31 December 2012, none of the Directors or any of their respective associates had any interest in any business which causes or may cause any competition with the business of the Group or any conflicts with the interests of the Group.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE CODE

Details of the compliance by the Company with the Code on Corporate Governance Practices (effective until 31 March 2012 and the Corporate Governance Code (effective from 1 April 2012) are set out on pages 20 to 25 of this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of the compliance by the Company with the Model Code are set out on page 21 of this Annual Report.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Details of the significant related party transactions undertaken by the Group during the year in the ordinary course of business are set out in note 47 to the financial statements.

CONNECTED TRANSACTION

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

Pursuant to the sales and purchase agreement dated 4 July 2012 entered into between Even Dragon Limited, a subsidiary of the Company, and Crystal Hub Limited ("Crystal Hub"), a subsidiary of SCL, Even Dragon Limited had agreed to purchase and Crystal Hub had agreed to sell the entire equity interests in Splendor Sheen Limited for a consideration of approximately HK$1,589 million (as adjusted) subject to terms and conditions of the sale and purchase agreement and the relevant supplemental agreement dated 25 September 2012 (the "Transaction"). Details about the Transaction have been set out in the announcement and circular of the Company dated 12 July 2012 and 19 October 2012 respectively. As published in the announcement of the Company dated 17 January 2013, the Transaction was completed on 16 January 2013.

As at 31 December 2012, Mr. Ng, the Chairman, an Executive Director and a substantial shareholder of the Company, owned as to 67.05% in SCL.

CONTINUING CONNECTED TRANSACTIONS

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

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

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

(3) On 12 December 2011, the tenancy agreement dated 15 December 2009 between First City Limited, an indirect wholly-owned subsidiary of the Company, as landlord and Hong Kong Four Seas Tours Limited ("Four Seas"), an indirect wholly-owned subsidiary of SCH, as tenant for the premises at 1/F, On Lok Yuen Building, 25, 27 and 27A Des Voeux Road Central, Hong Kong at a monthly rental of HK$110,120 and the tenancy agreement dated 15 December 2009 between Glorious Dragon Investments Limited, an indirect wholly-owned subsidiary of the Company, as landlord and Four Seas as tenant for the premises at 2/F, On Lok Yuen Building, 25, 27 and 27A Des Voeux Road Central, Hong Kong at a monthly rental of HK$101,460 were renewed for two years from 1 January 2012 to 31 December 2013. Details of the above transactions were disclosed in the announcement of the Company dated 12 December 2011.

(4) On 29 December 2011, the tenancy agreements dated 15 December 2009 between Copthorne as landlord and South China Media Management Limited, a company indirectly wholly-owned by Mr. Ng, as tenant for the premises at Units A, B and D on 3rd Floor, Units A, B, C and D on 4th Floor and Units A, B, C and D on 12th Floor together with car parking spaces nos. 12A, 12B, 13A and 13B of Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong were renewed for two years from 1 January 2012 to 31 December 2013 at an aggregate monthly rental of HK$246,259.70 for the first year and HK$257,155.50 for the second year. Details of the above transactions were disclosed in the announcement of the Company dated 29 December 2011.

As at 31 December 2012, Mr. Ng, the Chairman, an Executive Director and a substantial shareholder of the Company, owned as to 67.05% in SCL and 73.72% in SCH.

One of the principal activities of the Group is property investment. The above rental agreements provided the Group with stable rental income. Besides, the Entrusted Management Agreement enabled the Group to widen its existing property leasing business to cover shopping mall related operations and provided the Company with an opportunity to expand its geographical coverage to Shenyang.

For the flexibility in the shopping mall revamp and the control over the shopping mall operations after allocating more resources to the mall in view of the anticipated performance improvement after the revamp, a subsidiary of the Company and Crystal Hub entered into a sale and purchase agreement in respect of, among others, the acquisition of the shopping mall by the subsidiary of the Company from Crystal Hub (the "Acquisition"). Details of the acquisition were set out in the Company's announcement and circular dated 12 July 2012 and 19 October 2012, respectively. The Entrusted Management Agreement had been terminated upon the completion of the Acquisition on 16 January 2013.

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

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee consists of four Independent Non-executive Directors, namely, Ms. Li Yuen Yu Alice (the committee chairman), Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P. (appointed on 10 December 2012).

The Group's annual results for the year ended 31 December 2012 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and adequate disclosure was made.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2012, the sales to the Group's five largest customers accounted for 64.0% of the total sales and the sales to the largest customer included therein amounted to 31.5%. Purchases from the Group's five largest suppliers accounted for 22.4% of the total purchases and purchases from the largest supplier included therein accounted for 7.2% of the total purchases.

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

EVENT AFTER THE REPORTING PERIOD

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

AUDITORS

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

On Behalf of the Board

Ng Hung Sang
Chairman
Hong Kong, 26 March 2013

Corporate Governance Report

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

CORPORATE GOVERNANCE CODE

The Company complied with all the code provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (effective from 1 April 2012) (collectively, the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2012.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2012, the Board consisted of twelve Directors, including six Executive Director, one Non-executive Director and five Independent Non-executive Directors. One-third of the Board is Independent Non-executive Directors.

With effect from 3 March 2013, one additional Independent Non-executive Director had been appointed to further strengthen the Board structure. The Board has since then consisted of thirteen Directors, including the Chairman, Mr. Ng Hung Sang, the Vice-chairman and the Chief Executive Officer, Ms. Cheung Choi Ngor, one additional Vice-chairman, who are Executive Directors, three additional Executive Directors, one Non-executive Director and six Independent Non-executive Directors. One third of the Board is Independent Non-executive Directors. Directors' biographies and relevant relationships amongst them are set out in the Directors' Biographical Details on pages 7 to 10 of this Annual Report.

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. A balanced composition of Executive Directors and Non-executive Directors is maintained to ensure independence and effective management. The Company has satisfied the relevant provision of the Listing Rules in having at least one of the Independent Non-executive Directors with appropriate professional qualifications or accounting or related financial management expertise.

The appointment of Directors is recommended by the Remuneration and Nomination Committee and approved by the Board based on a formal written procedure and policy for the appointment of new directors. When selecting potential candidates for directors, their skills, experience, expertise, devotion of time and conflicts of interests are the key factors.

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

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

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

The roles of Chairman and Chief Executive Officer are separate and are clearly defined. Such roles are performed by different individuals with a view to reinforcing independence and accountability.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda of regular meetings. The Chairman has delegated the responsibility for drawing up the agenda for each board meeting to the Company Secretary. With the assistance of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at board meetings and have received adequate and reliable information in a timely manner.

The Board held four meetings in 2012:

	Attendance
Executive Directors	
Ng Hung Sang	3/4
Cheung Choi Ngor	3/4
Richard Howard Gorges	4/4
Ng Yuk Fung Peter	4/4
Law Albert Yu Kwan*	N/A
Yeung Kwong Sunny*	N/A
Non-executive Director	
Ng Yuk Mui Jessica	4/4
Independent Non-executive Directors	
Li Yuen Yu Alice	3/4
Tse Wong Siu Yin Elizabeth	4/4
Chiu Sin Chun	4/4
Yip Dicky Peter*	N/A
Leung Tony Ka Tung*	N/A

* Appointed on 10 December 2012

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as it code of conduct regarding the directors' securities transaction. In addition, the Board has established similar guidelines for relevant employees who are likely in possession of unpublished price sensitive information in relation to the Group or its securities.

All Directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard of set out in the Model Code regarding securities transactions by Directors throughout the year ended 31 December 2012.

INTERNAL CONTROL

Recognizing that a well-designed and effective system of internal control is crucial to safeguard the assets of the Company and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirement of the Listing Rules, a team, comprising qualified accountants, has been organized to carry out the internal audit function of the Company ("IA Team").

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

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

The IA Team monitors the internal control procedures and systems of the Group, reports findings and makes recommendations, if any, to the Audit Committee at a regular interval. During the year, the internal control of inventories control and impairment assessment of the Group was reviewed and addressed in the internal control report which was presented by the IA Team to the Audit Committee and the Board for review.

RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

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

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on page 26 of this Annual Report.

AUDITORS' REMUNERATION

For the year ended 31 December 2012, the Auditors of the Company received approximately HK$2,380,000 for audit services and HK$196,000 for non-audit services provided to the Company.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Each newly appointed Director receives an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

Apart from updates on regulatory changes and governance developments provided by the Company, Directors are encouraged to participate in professional training and seminars to develop and refresh their knowledge and skills. A training record has been devised to record the training Directors have undertaken.

A briefing session was organised for Directors at the board meeting of 27 March 2012 to update the Directors on the new amendments to the CG Code and the associated Listing Rules.

During the year 2012, the Directors participated in the following trainings:

Directors	**Type of trainings**		
	Attending Seminars	**Attending Briefings**	**Reading Materials and Updates**
Executive Directors			
Ng Hung Sang		✓	✓
Cheung Choi Ngor		✓	✓
Richard Howard Gorges		✓	✓
Ng Yuk Fung Peter		✓	✓
Law Albert Yu Kwan*	N/A	N/A	N/A
Yeung Kwong Sunny*	N/A	N/A	N/A
Non-executive Director			
Ng Yuk Mui Jessica		✓	✓
Independent Non-executive Directors			
Li Yuen Yu Alice		✓	✓
Tse Wong Siu Yin Elizabeth	✓	✓	✓
Chiu Sin Chun		✓	✓
Yip Dicky Peter*	N/A	N/A	N/A
Leung Tony Ka Tung*	N/A	N/A	N/A

* Appointed on 10 December 2012

AUDIT COMMITTEE

The Audit Committee consists of four Independent Non-executive Directors, namely Ms. Li Yuen Yu Alice (the committee chairman), Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P..

The principal duties of the Audit Committee, in accordance with its terms of reference, which are substantially the same as those under the CG Code, include the review of the Group's financial reporting system and internal control procedures, review of financial information of the Group and review of the relationship with the Auditors of the Group. The Audit Committee has also been delegated by the Board to be responsible for performing the corporate governance duties under the CG Code.

The Audit Committee held three meetings in 2012 in which representatives of the management were present to review the interim and final results, the interim report and annual report and other financial, internal control and corporate governance matters. The Group's Auditors were present in two of the meetings.

	Attendance
Li Yuen Yu Alice	3/3
Chiu Sin Chun	3/3
Tse Wong Siu Yin Elizabeth	3/3
Yip Dicky Peter (appointed on 10 December 2012)	1/1

The Audit Committee reviewed the Group's annual results for the year ended 31 December 2012, the internal control system and the corporate governance policy.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee was set up on 27 March 2012 to replace the original Remuneration Committee for performing both remuneration and nomination functions under the CG Code. It consists of four Independent Non-executive Directors, namely Mrs. Tse Wong Siu Yin Elizabeth (the committee chairman), Mr. Chiu Sin Chun, Ms. Li Yuen Yu Alice and Mr. Yip Dicky Peter, J.P..

The principal duties of the Remuneration and Nomination Committee, in accordance with its terms of reference, which are substantially the same as those under the CG Code, include the review on the structure and composition of the Board, identification of suitably qualified Board candidates, and review of the remuneration of Directors and senior management and make recommendations to the Board on the remuneration policy and structure.

The Remuneration and Nomination Committee met once in 2012 and the attendance record is set out below:

	Attendance
Tse Wong Siu Yin Elizabeth	1/1
Chiu Sin Chun	1/1
Li Yuen Yu Alice	1/1
Yip Dicky Peter (appointed on 10 December 2012)	N/A

The Remuneration and Nomination Committee reviewed the policies for the remuneration of Executive Directors, including basic salaries, discretionary performance bonus and other emoluments, based on skills, knowledge, involvement in the Company's affairs and performance of the individual Executive Director with reference to the Company's performance and profitability, as well as industry practice. Directors' fees for all Directors are subject to shareholders' approval at general meeting. Reimbursement is allowed for out-of-pocket expenses incurred in connection with the performance of their duties including attendance at board meetings and committee meetings.

The Remuneration and Nomination Committee reviewed the structure, size and composition of the Board, adopted a formal written procedure and policy for the appointment of new directors, assessed the independence of Independent Non-executive Directors and made recommendations to the Board on the appointment and re-appointment of Directors.

SHAREHOLDERS' RIGHTS

Information is communicated to the shareholders mainly through the Company's corporate communications (such as interim and annual reports, announcements and circulars), annual general meetings and other general meetings, as well as disclosure on the website of the Company.

Interim reports, annual reports and circulars are sent to the shareholders in a timely manner and are available on the website of the Company. The Company's website provides shareholders with the corporate information of the Group.

Shareholders are provided with contact details of the Company to enable them to make enquiries with respect to the Company's affairs. Shareholders can also send their enquiries to the Company through these channels or contact Union Registrars Limited, the share registrar of the Company, in case of enquiries about shareholdings.

The annual general meeting of the Company ("AGM") allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Members of the Audit Committee and the Remuneration and Nomination Committee and the external auditor also attend the AGM to answer questions from shareholders. AGM proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM. The accompanying circular sets out the details of each proposed resolution and other relevant information as required under the Listing Rules. Voting results are posted on the Company's website on the day of the AGM.

Extraordinary general meetings of the Company ("EGMs") shall be convened on the requisition of any one member of the Company which is a recognized clearing house or any two or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Company Secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 3 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The attendance record of the Directors at the AGM and the EGMs held during 2012 is set out below:

Directors	**EGM** (6 Jan 2012)	**AGM** (5 Jun 2012)	**EGM** (13 Nov 2012)
Executive Directors			
Ng Hung Sang		✓	✓
Cheung Choi Ngor	✓	✓	✓
Richard Howard Gorges	✓	✓	✓
Ng Yuk Fung Peter			✓
Law Albert Yu Kwan*	N/A	N/A	N/A
Yeung Kwong Sunny*	N/A	N/A	N/A
Non-Executive Director			
Ng Yuk Mui Jessica			✓
Independent Non-Executive Directors			
Li Yuen Yu Alice		✓	✓
Tse Wong Siu Yin Elizabeth	✓	✓	✓
Chiu Sin Chun	✓	✓	✓
Yip Dicky Peter*	N/A	N/A	N/A

* Appointed on 10 December 2012

CHANGES IN THE COMPANY'S CONSTITUTIONAL DOCUMENTS

At EGM held on 13 November 2012, special resolutions for the amendments to the Company's memorandum and articles of association ("M&AA") were approved by the shareholders of the Company. The amendments principally reflected the increase in authorized share capital and the creation of a new class of redeemable convertible preference shares. In addition, certain amendments brought the M&AA in line with the recent amendments made to the Listing Rules and Companies Law in the Cayman Islands and there were also other house-keeping amendments. An updated version of the M&AA is available on the websites of the Company and the Stock Exchange.

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of South China (China) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 27 to 121, which comprise the consolidated and Company statements of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 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 Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
26 March 2013

Consolidated Income Statement

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
REVENUE	4 & 5	**2,352,826**	3,097,990
Cost of sales		**(2,048,978)**	(2,669,334)
Gross profit		**303,848**	428,656
Other income and gains, net	5	**28,645**	28,290
Fair value gain on investment properties inclusive of investment properties presented as non-current assets classified as held for sale		**267,994**	102,538
Fair value loss on biological assets	20	**(12,845)**	(46,472)
Fair value gain/(loss) on financial assets at fair value through profit or loss		**4,620**	(14,535)
Gain on disposal of investment properties presented as non-current assets classified as held for sale		**16**	10,331
Write-off of biological assets	20	**(39,814)**	—
Selling and distribution costs		**(41,467)**	(42,815)
Administrative expenses		**(387,249)**	(316,249)
Equity-settled share award expense		**(3,223)**	(1,358)
		120,525	148,386
Finance costs	7	**(39,184)**	(20,505)
Share of profits and losses of associates		**269,837**	218,842
Impairment of advances to an associate	19	**(80)**	(496)
PROFIT BEFORE TAX	6	**351,098**	346,227
Income tax expense	10	**(25,269)**	(29,824)
PROFIT FOR THE YEAR		**325,829**	316,403
Attributable to:			
Owners of the Company		**318,676**	300,740
Non-controlling interests		**7,153**	15,663
		325,829	316,403
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK10.8 cents**	HK10.1 cents
Diluted		**HK10.7 cents**	HK10.1 cents

As detailed in note 12 to the financial statements, there was no dividend declared or recommended for the year ended 31 December 2012.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	2012 HK$'000	2011 HK$'000 (Restated)
PROFIT FOR THE YEAR	**325,829**	316,403
OTHER COMPREHENSIVE INCOME/(LOSS)		
Surplus on revaluation	—	8,894
Change in fair value of available-for-sale financial assets	**11,415**	(7,126)
Exchange differences on translation of foreign operations	**(2,343)**	48,737
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**9,072**	50,505
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**334,901**	366,908
Attributable to:		
Owners of the Company	**327,788**	346,893
Non-controlling interests	**7,113**	20,015
	334,901	366,908

Consolidated Statement of Financial Position

31 December 2012

	Notes	**31 December 2012 HK$'000**	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**222,630**	214,017	248,814
Investment properties	15	**1,726,378**	1,648,393	1,445,134
Prepaid land lease payments	16	**87,829**	90,000	64,371
Construction in progress	17	**116,326**	84,711	51,256
Investments in associates	19	**1,124,854**	892,232	777,017
Biological assets	20	**137,784**	155,625	161,735
Available-for-sale financial assets	21	**57,381**	45,987	53,432
Other non-current assets		**16,666**	16,666	16,666
Trade receivable, prepayments and deposits	22	**268,215**	30,119	22,490
Goodwill	23	**3,152**	3,152	3,071
Total non-current assets		**3,761,215**	3,180,902	2,843,986
CURRENT ASSETS				
Inventories	24	**341,396**	346,537	382,420
Trade receivables	25	**185,958**	252,562	142,134
Prepayments, deposits and other receivables	26	**305,067**	210,670	87,293
Financial assets at fair value through profit or loss	27	**39,553**	26,885	25,698
Due from a non-controlling shareholder of a subsidiary	28	**399**	245	—
Due from an affiliate	29	**78,000**	78,000	7,499
Tax recoverable		**20,222**	14,530	1,997
Cash and bank balances	30	**253,874**	427,980	136,358
		1,224,469	1,357,409	783,399
Non-current assets classified as held for sale	31	**497,424**	331,990	435,339
Total current assets		**1,721,893**	1,689,399	1,218,738
CURRENT LIABILITIES				
Trade and bills payables	32	**237,851**	354,371	293,861
Other payables and accruals	33	**349,214**	339,242	347,694
Interest-bearing bank and other borrowings	34	**1,015,337**	737,795	466,251
Due to a non-controlling shareholder of subsidiaries	35	**21,390**	21,390	23,943
Due to affiliates		**—**	—	36,883
Tax payable		**35,462**	40,860	31,480
Total current liabilities		**1,659,254**	1,493,658	1,200,112
NET CURRENT ASSETS		**62,639**	195,741	18,626
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,823,854**	3,376,643	2,862,612

Consolidated Statement of Financial Position

31 December 2012

	Notes	**31 December 2012 HK$'000**	31 December 2011 HK$'000 (Restated)	1 January 2011 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	34	**198,532**	68,468	38,148
Advances from non-controlling shareholders of subsidiaries	36	**31,851**	31,851	30,411
Due to an associate	19	**116,579**	140,724	—
Other non-current liabilities	37	**89,628**	90,410	87,302
Deemed consideration for acquisition of subsidiaries under merger accounting		**—**	—	41,796
Deferred tax liabilities	38	**262,515**	244,480	224,771
Total non-current liabilities		**699,105**	575,933	422,428
Net assets		**3,124,749**	2,800,710	2,440,184
EQUITY				
Equity attributable to owners of the Company				
Issued capital	39	**59,773**	59,773	59,773
Reserves	41(a)	**2,940,051**	2,623,370	2,252,804
Proposed final dividend	12	**—**	—	29,886
		2,999,824	2,683,143	2,342,463
Non-controlling interests		**124,925**	117,567	97,721
Total equity		**3,124,749**	2,800,710	2,440,184

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

		Attributable to owners of the Company																
	Note	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Merger reserve HK$'000	Land and buildings revaluation reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	PRC statutory reserves HK$'000	Shares held for Share Award Scheme HK$'000	Employee share-based compensation reserve# HK$'000	Goodwill reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2011																		
As previously reported		59,773	6,724	—	223	(13,725)	59,464	34,924	10,965	—	53,035	(3,067)	121,786	1,845,697	29,886	2,205,685	97,721	2,303,406
Adjusted for HKAS 12 Amendments		—	—	—	—	—	—	—	—	—	—	—	—	136,778	—	136,778	—	136,778
As restated		59,773	6,724	—	223	(13,725)	59,464	34,924	10,965	—	53,035	(3,067)	121,786	1,982,475	29,886	2,342,463	97,721	2,440,184
Profit for the year																		
As previously reported		—	—	—	—	—	—	—	—	—	—	—	—	262,038	—	262,038	15,663	277,701
Adjusted for HKAS 12 Amendments		—	—	—	—	—	—	—	—	—	—	—	—	38,702	—	38,702	—	38,702
Profit for the year (as restated)		—	—	—	—	—	—	—	—	—	—	—	—	300,740	—	300,740	15,663	316,403
Other comprehensive income for the year:																		
Surplus on revaluation		—	—	—	—	—	8,576	—	—	—	—	—	—	—	—	8,576	318	8,894
Changes in fair value of available-for-sale financial assets	21	—	—	—	—	—	—	(7,126)	—	—	—	—	—	—	—	(7,126)	—	(7,126)
Exchange differences on translation of foreign operations		—	—	—	—	—	—	—	—	—	—	—	44,703	—	—	44,703	4,034	48,737
Total comprehensive income for the year		—	—	—	—	—	8,576	(7,126)	—	—	—	—	44,703	300,740	—	346,893	20,015	366,908
Contributed surplus arising from vendor's waiver of shareholder's loans in a common control combination		—	—	33,389	—	—	—	—	—	—	—	—	—	—	—	33,389	—	33,389
Acquisition of non-controlling interests		—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(169)	(169)
Shares purchased for Share Award Scheme		—	—	—	—	—	—	—	—	(10,751)	—	—	—	—	—	(10,751)	—	(10,751)
Recognition of equity-settled share-based compensation: share award		—	—	—	—	—	—	—	—	—	886	—	—	—	—	886	—	886
Final dividend relating to 2010 for shares held for Share Award Scheme		—	—	—	—	—	—	—	—	—	—	—	—	149	—	149	—	149
Final dividend for 2010 paid		—	—	—	—	—	—	—	—	—	—	—	—	—	(29,886)	(29,886)	—	(29,886)
At 31 December 2011 (as restated)		59,773	6,724*	33,389*	223*	(13,725)*	68,040*	27,798*	10,965*	(10,751)*	53,921*	(3,067)*	166,489*	2,283,364*	—	2,683,143	117,567	2,800,710

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

		Attributable to owners of the Company															
	Note	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Merger reserve HK$'000	Land and buildings revaluation reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	PRC statutory reserves HK$'000	Shares held for Share Award Scheme HK$'000	Employee share-based compensation reserve# HK$'000	Goodwill reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012																	
As previously reported		59,773	6,724	33,389	223	(13,725)	68,040	27,798	10,965	(10,751)	53,921	(3,067)	166,489	2,107,884	2,507,663	117,567	2,625,230
Adjusted for HKAS 12 Amendments		—	—	—	—	—	—	—	—	—	—	—	—	175,480	175,480	—	175,480
As restated		59,773	6,724*	33,389*	223*	(13,725)*	68,040*	27,798*	10,965*	(10,751)*	53,921*	(3,067)*	166,489*	2,283,364*	2,683,143	117,567	2,800,710
Profit for the year		—	—	—	—	—	—	—	—	—	—	—	—	318,676	318,676	7,153	325,829
Other comprehensive income for the year:																	
Changes in fair value of available-for-sale financial assets	21	—	—	—	—	—	—	11,415	—	—	—	—	—	—	11,415	—	11,415
Exchange differences on translation of foreign operations		—	—	—	—	—	—	—	—	—	—	—	(2,303)	—	(2,303)	(40)	(2,343)
Total comprehensive income for the year		—	—	—	—	—	—	11,415	—	—	—	—	(2,303)	318,676	327,788	7,113	334,901
Capital contribution from a non-controlling shareholder of a subsidiary		—	—	—	—	—	—	—	—	—	—	—	—	—	—	245	245
Shares purchased for Share Award Scheme		—	—	—	—	—	—	—	—	(12,719)	—	—	—	—	(12,719)	—	(12,719)
Vesting of shares awarded under Share Award Scheme		—	—	—	—	—	—	—	—	820	(820)	—	—	—	—	—	—
Transfer of employee share-based compensation reserve upon forfeiture of share options		—	—	—	—	—	—	—	—	—	(2,714)	—	—	2,714	—	—	—
Recognition of equity-settled share-based compensation: share award		—	—	—	—	—	—	—	—	—	1,612	—	—	—	1,612	—	1,612
At 31 December 2012		59,773	6,724*	33,389*	223*	(13,725)*	68,040*	39,213*	10,965*	(22,650)*	51,999*	(3,067)*	164,186*	2,604,754*	2,999,824	124,925	3,124,749

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

The retained profits and exchange fluctuation reserve of the Group include HK$1,096,594,000 (2011: HK$863,972,000 (restated)) and HK$1,787,000 (2011: HK$1,787,000), respectively, retained by associates of the Group.

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

* These reserve accounts and the shares held for Share Award Scheme comprise the consolidated reserves of HK$2,940,051,000 (2011: HK$2,623,370,000 (restated)) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**351,098**	346,227
Adjustments for:			
Finance costs	7	**39,184**	20,505
Share of profits and losses of associates		**(269,837)**	(218,842)
Interest income	5	**(5,976)**	(7,434)
(Gain)/loss on disposal of items of property, plant and equipment	5	**(180)**	241
Gain on disposal of investment properties presented as non-current assets classified as held for sale		**(16)**	(10,331)
Write-back of trade payables	5	**(1,032)**	—
Write-back of other payables	5	**(327)**	(2,888)
Dividend income from listed investments	5	**—**	(320)
Gain on disposal of a subsidiary	5	**(200)**	—
Gain on disposal of available-for-sale financial assets	5	**—**	(48)
Fair value gain on investment properties inclusive of investment properties presented as non-current assets classified as held for sale		**(267,994)**	(102,538)
Fair value (gain)/loss on financial assets at fair value through profit or loss		**(4,620)**	14,535
Fair value loss on biological assets	20	**12,845**	46,472
Decrease in biological assets due to harvest	6	**722**	307
Equity-settled share award expense	6	**3,223**	1,358
Impairment of advances to an associate	19	**80**	496
Reversal of impairment of trade receivables, net	6	**(953)**	(350)
Impairment of available-for-sale financial assets	5	**21**	84
Provision/(reversal of provision) for inventories, net	6	**487**	(2,622)
Write-back of provision for impairment of properties, plant and equipment	5	**—**	(183)
Write-off of properties, plant and equipment	6	**—**	23
Write-off of biological assets		**39,814**	—
Depreciation	6	**39,098**	38,509
Amortisation of prepaid land lease payments	6	**17,096**	21,514
		(47,467)	144,715
Decrease in inventories		**5,787**	41,005
Decrease/(increase) in trade receivables		**78,897**	(120,696)
Increase in prepayments, deposits and other receivables		**(107,865)**	(107,441)
(Decrease)/increase in trade and bills payables		**(115,488)**	56,811
Increase/(decrease) in other payables and accruals		**1,469**	(13,176)
Decrease in amounts due to non-controlling shareholders of subsidiaries, net		**(154)**	(3,085)
Severance payment paid		**(927)**	(1,486)
Cash used in operations		**(185,748)**	(3,353)
Hong Kong profits tax paid		**(9,549)**	(20,116)
PRC enterprise income tax paid		**(8,776)**	(5,347)
Net cash used in operating activities		**(204,073)**	(28,816)

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(28,265)**	(29,170)
Additions to and prepayment for construction in progress		**(45,470)**	(62,901)
Additions to prepaid land lease payments		**(30,324)**	(65,745)
Additions to investment properties	15	**(4,371)**	(2,275)
Additions to biological assets		**(9,077)**	(16,666)
Purchases of financial assets at fair value through profit or loss		**(8,602)**	(15,658)
Dividends received from listed investments		**—**	320
Advances to an associate		**(80)**	(496)
Interest received		**5,976**	7,434
Proceeds from disposal of investment properties presented as non-current assets classified as held for sale		**2,937**	137,721
Proceeds from disposal of a subsidiary	42	**28,000**	—
Proceeds from disposal of available-for-sale financial assets		**—**	296
Proceeds from disposal of items of property, plant and equipment		**721**	196
Partial payment of purchase consideration for acquisition of subsidiaries		**(249,438)**	—
Consideration paid for common control combinations		**—**	(67,335)
Loan to a related company		**—**	(78,000)
Dividends income from an associate		**37,215**	104,250
Net cash used in investing activities		**(300,778)**	(88,029)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**1,017,344**	707,769
Repayment of bank loans		**(647,660)**	(492,463)
Loan from an associate		**—**	140,724
Repayment of amount due from an associate		**—**	7,499
Repayment of amount due to an associate		**(26,099)**	—
Increase in trust receipt loans		**22,494**	87,360
Repayments of amounts due to directors		**—**	(3,379)
Interests paid		**(36,978)**	(19,801)
Dividends paid		**—**	(29,886)
Advances from vendors of common control combinations accounted for by merger accounting		**—**	25,539
Capital contribution from a non-controlling shareholder of a subsidiary		**245**	—
Purchase of shares held for Share Award Scheme		**(12,719)**	(10,751)
Net cash from financing activities		**316,627**	412,611
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(188,224)**	295,766
Cash and cash equivalents at beginning of year		**427,270**	128,112
Effect of foreign exchange rate changes, net		**706**	3,392
CASH AND CASH EQUIVALENTS AT END OF YEAR		**239,752**	427,270
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	30	**253,874**	427,980
Bank overdrafts	34	**(14,122)**	(710)
Cash and cash equivalents as stated in the statement of cash flows		**239,752**	427,270

Statement of Financial Position

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**1,823,545**	1,668,839
CURRENT ASSETS			
Other receivables	26	**743**	658
Financial assets at fair value through profit or loss	27	**16,808**	6,228
Cash and bank balances	30	**543**	3,465
Total current assets		**18,094**	10,351
CURRENT LIABILITIES			
Other payables	33	**2,662**	1,694
Interest-bearing bank borrowings	34	**330,000**	150,000
Total current liabilities		**332,662**	151,694
NET CURRENT LIABILITIES		**(314,568)**	(141,343)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,508,977**	1,527,496
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	34	**52,500**	—
Due to subsidiaries	18	**1,331,704**	1,377,828
Other non-current liabilities	37	**616**	472
Total non-current liabilities		**1,384,820**	1,378,300
Net assets		**124,157**	149,196
EQUITY			
Issued capital	39	**59,773**	59,773
Reserves	41(b)	**64,384**	89,423
Total equity		**124,157**	149,196

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted limited company. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties inclusive of investment properties presented as non-current assets classified as held for sale, certain available-for-sale financial assets, financial assets at fair value through profit or loss and financial liability in respect of the shares other than the shares in the Company awarded under the Share Award Scheme which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

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

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

Other than the impact of amendments to HKAS 12 as further explained below, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets measured using the revaluation model in HKAS 16 should always be measured on a sale basis. Prior to the adoption of the amendments, deferred tax with respect to the Group's investment properties was provided on the basis that the carrying amount will be recovered through use and, accordingly, the profits tax rate had been applied to the calculation of deferred tax arising on the revaluation of the Group's investment properties. Upon the adoption of HKAS 12 Amendments, deferred tax in respect of certain investment properties of the Group is provided on the presumption that the carrying amount will be recovered through sale. The effects of the above change are summarised in tables (a), (b) and (c) as follows:

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

(a) Effect of adoption of HKAS 12 Amendments on the consolidated statement of financial position as at 1 January 2011

	As previously reported HK$'000	Effect of adopting HKAS 12 Amendments HK$'000	As restated HK$'000
NON-CURRENT ASSETS			
Investments in associates	664,184	112,833	777,017
Others#	2,066,969	—	2,066,969
Total non-current assets	2,731,153	112,833	2,843,986
CURRENT ASSETS			
Total current assets#	1,218,738	—	1,218,738
CURRENT LIABILITIES			
Total current liabilities#	1,200,112	—	1,200,112
NET CURRENT ASSETS	18,626	—	18,626
TOTAL ASSETS LESS CURRENT LIABILITIES	2,749,779	112,833	2,862,612
NON-CURRENT LIABILITIES			
Deferred tax liabilities	248,716	(23,945)	224,771
Others#	197,657	—	197,657
Total non-current liabilities	446,373	(23,945)	422,428
Net assets	2,303,406	136,778	2,440,184
EQUITY			
Retained profits	1,845,697	136,778	1,982,475
Others#	457,709	—	457,709
Total equity	2,303,406	136,778	2,440,184

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

(b) Effect of adoption of HKAS 12 Amendments on the consolidated statement of financial position as at 31 December 2011

	As previously reported HK$'000	Effect of adopting HKAS 12 Amendments HK$'000	As restated HK$'000
NON-CURRENT ASSETS			
Investments in associates	747,549	144,683	892,232
Others#	2,288,670	—	2,288,670
Total non-current assets	3,036,219	144,683	3,180,902
CURRENT ASSETS			
Total current assets#	1,689,399	—	1,689,399
CURRENT LIABILITIES			
Total current liabilities#	1,493,658	—	1,493,658
NET CURRENT ASSETS	195,741	—	195,741
TOTAL ASSETS LESS CURRENT LIABILITIES	3,231,960	144,683	3,376,643
NON-CURRENT LIABILITIES			
Deferred tax liabilities	275,277	(30,797)	244,480
Others#	331,453	—	331,453
Total non-current liabilities	606,730	(30,797)	575,933
Net assets	2,625,230	175,480	2,800,710
EQUITY			
Retained profits	2,107,884	175,480	2,283,364
Others#	517,346	—	517,346
Total equity	2,625,230	175,480	2,800,710

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

(c) Effect of adoption of HKAS 12 Amendments on consolidated statement of comprehensive income and earnings per share for the year ended 31 December 2011

	As previously reported HK$'000	Effect of adopting HKAS 12 Amendments HK$'000	As restated HK$'000
Others#	127,385	—	127,385
Share of profits and losses of associates	186,992	31,850	218,842
Profit before tax	314,377	31,850	346,227
Tax	(36,676)	6,852	(29,824)
Profit for the year	277,701	38,702	316,403
Attributable to:			
Owners of the Company	262,038	38,702	300,740
Non-controlling interests	15,663	—	15,663
	277,701	38,702	316,403
Profit for the year	277,701	38,702	316,403
Other comprehensive income for the year#	50,505	—	50,505
Total comprehensive income for the year	328,206	38,702	366,908
Attributable to:			
Owners of the Company	308,191	38,702	346,893
Non-controlling interests	20,015	—	20,015
	328,206	38,702	366,908

Being aggregate of items not being affected by the adoption of the HKAS 12 Amendments and, hence, not being restated

Increase in basic earnings per share	HK1.3 cents
Increase in diluted earnings per share	HK1.3 cents

The Group adopted the HKAS 12 Amendments on 1 January 2012. As such, there was no adjustment to the current year results for the adoption of HKAS 12 Amendments. The Share of profits and losses of associates, Profit for the year, basic earnings per share and diluted earnings per share as reported for the year ended 31 December 2012 are higher than what the amounts would have been by HK$38,363,000, HK$52,179,000, HK 1.8 cents and HK 1.7 cents, respectively, had there been no amendment to HKAS 12. Also, Income tax expense as reported for the current year is lower than what the amount would have been by HK$13,816,000 had there been no amendment to HKAS 12.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[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 2014
4 Effective for annual periods beginning on or after 1 January 2015

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

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

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

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

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

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

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

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

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

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

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

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

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

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to HKFRSs 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

    In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

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

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

2.4 SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

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

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration that is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

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

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

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

Investment properties

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

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Non-current assets and disposal groups held for sale

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

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

Biological assets

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

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

Agricultural produce

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

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

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

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

Leases

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

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

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

Investments and other financial assets

Initial recognition and measurement

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

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

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

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial asset designated at fair value through profit or loss using the fair value option at designation as these instruments cannot be reclassified after initial recognition.

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Loans and receivables

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

Available-for-sale financial assets

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

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses. Interest and dividends earned whilst holding the available-for-sale financial assets are reported as interest income and dividend income, respectively, and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted available-for-sale financial assets cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost (Continued)

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

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

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

Assets carried at cost

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

Available-for-sale financial assets

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

Income tax

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

- in respect of taxable temporary differences associated with interests in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

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

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

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

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

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

Employee benefits

Pension schemes

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

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions

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

The Company operates a share option scheme and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants of the Company's own equity instruments after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value of share options and awarded shares granted to employees in an equity-settled share-based payment transaction is recognised as an employment cost with a corresponding increase in the employee share-based compensation reserve within equity. In respect of share options, the fair value is measured at grant date using a trinomial model, taking into account the terms and conditions upon which the options were granted (further details of which being set out in note 40 to the financial statements). In respect of awarded shares, the fair value is based on the closing price at the grant date. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options and awarded shares, the total estimated fair value of the share options and awarded shares is spread over the vesting period, taking into account the probability that the share options and awarded shares will vest. Where awarded shares are not the shares in the Company or its group entity, the grant of such shares does not constitute a share-based payment arrangement, and is accounted for as a financial liability.

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

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are satisfied.

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payments transactions *(Continued)*

(ii) *Shares held for Share Award Scheme*

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

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

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

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

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

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

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

Borrowing costs

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

2.4 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Dividends and distributions

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

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments — Group as lessor

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

Classification between investment properties and owner-occupied properties

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

Estimation uncertainty

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

Impairment of goodwill

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

Impairment of non-financial assets (other than goodwill)

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

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

Estimation uncertainty *(Continued)*

Impairment of trade receivables

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

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale financial assets and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. For the year ended 31 December 2012, impairment losses of HK$21,000 have been recognised for available-for-sale financial assets (2011: HK$84,000)(note 21).

Income taxes

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

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2012 was HK$407,150,000 (2011: HK$509,234,000 (note 38).

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

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

Segment assets exclude investments in associates and tax recoverable as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 December 2012 and 2011.

Group

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000 (Restated)	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000 (Restated)	**2012 HK$'000**	2011 HK$'000 (Restated)
Segment revenue										
External sales	**2,228,852**	2,955,338	**96,757**	107,535	**27,217**	35,117	**—**	—	**2,352,826**	3,097,990
Segment profit/(loss) from operations	**37,155**	138,217	**264,550**	178,592	**(94,706)**	(80,921)	**(86,474)**	(87,502)	**120,525**	148,386
Share of profits and losses of associates	**820**	992	**269,017**	217,850	**—**	—	**—**	—	**269,837**	218,842
Impairment of advances to an associate	**(80)**	(496)	**—**	—	**—**	—	**—**	—	**(80)**	(496)
Finance costs									**(39,184)**	(20,505)
Profit before tax									**351,098**	346,227
Segment assets	**1,094,315**	1,269,131	**2,810,264**	2,253,444	**240,786**	268,997	**192,667**	171,967	**4,338,032**	3,963,539
Investments in associates	**11,482**	14,278	**1,113,372**	877,954	**—**	—	**—**	—	**1,124,854**	892,232
Tax recoverable									**20,222**	14,530
Total assets									**5,483,108**	4,870,301
Segment liabilities	**1,152,763**	1,123,303	**409,775**	362,996	**11,653**	11,781	**486,191**	286,171	**2,060,382**	1,784,251
Tax payable									**35,462**	40,860
Deferred tax liabilities									**262,515**	244,480
Total liabilities									**2,358,359**	2,069,591

Note: During the year, the directors have reviewed the presentation of the segment and considered the current presentation is more appropriate. Accordingly, certain comparative amounts have been reclassified to conform current year's presentation.

4. OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group *(Continued)*

		Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
	Notes	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Other segment information:											
Capital expenditures		**77,595**	90,343	**5,711**	4,266	**42,278**	82,113	**249,564**	35	**375,148**	176,757
Depreciation and amortisation		**34,870**	34,803	**2,706**	2,397	**18,489**	22,657	**129**	166	**56,194**	60,023
Provision/(reversal of provision) for inventories, net	6	**487**	(3,290)	**—**	—	**—**	668	**—**	—	**487**	(2,622)
Reversal of impairment of trade receivables, net	6 & 25	**(472)**	(350)	**(481)**	—	**—**	—	**—**	—	**(953)**	(350)
Write-off of biological assets		**—**	—	**—**	—	**39,814**	—	**—**	—	**39,814**	—

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

Revenue from external customers

	2012 HK$'000	2011 HK$'000
The People's Republic of China ("PRC") including Hong Kong and Macau	**310,870**	278,096
The United States of America	**1,152,978**	1,645,104
Europe	**491,155**	650,314
Japan	**9,462**	63,550
Others	**388,361**	460,926
	2,352,826	3,097,990

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

Non-current assets

	2012 HK$'000	2011 HK$'000
Hong Kong	**371,366**	377,425
Other regions in Mainland China	**2,207,614**	1,865,258
	2,578,980	2,242,683

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

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

Revenue of approximately HK$741 million and HK$368 million were derived from sales by the trading and manufacturing segment to two major customers.

In 2011, revenue of approximately HK$1,426 million was derived from sales by the trading and manufacturing segment to a major customer.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

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

	Notes	2012 HK$'000	2011 HK$'000
Revenue			
Sale of merchandise from manufacturing and trading businesses		**2,228,852**	2,955,338
Rental income		**96,757**	107,535
Sale of agricultural produce		**27,217**	35,117
		2,352,826	3,097,990
Other income			
Dividend income from listed investments		**—**	320
Bank interest income		**644**	478
Interest income from an associate	47	**—**	86
Interest income from a related company	47	**3,879**	3,120
Other interest income		**1,453**	3,750
Others		**19,759**	17,333
		25,735	25,087
Gains, net			
Write-back of other payables		**327**	2,888
Gain/(loss) on disposal of items of property, plant and equipment		**180**	(241)
Write-back of provision for impairment of property, plant and equipment		**—**	183
Reversal of impairment of trade receivables	25	**953**	350
Write-back of trade payables		**1,032**	—
Gain on disposal of available-for-sale financial assets		**—**	48
Gain on disposal of a subsidiary	42	**200**	—
Impairment of available-for-sale financial assets	21	**(21)**	(84)
Others		**239**	59
		2,910	3,203
		28,645	28,290

6. PROFIT BEFORE TAX

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

	Notes	2012 HK$'000	2011 HK$'000
Cost of inventories sold		**2,048,978**	2,669,334
Depreciation	14	**39,098**	38,509
Amortisation of prepaid land lease payments	16	**17,096**	21,514
Auditors' remuneration		**2,380**	2,300
Employee benefits expense (including directors' remuneration (note 8)):			
Pension scheme contributions *		**57,057**	58,066
Equity-settled share award expense		**3,223**	1,358
Salaries, wages and other benefits		**712,625**	875,135
		772,905	934,559
Decrease in biological assets due to harvest	20	**722**	307
Operating lease rental in respect of land and buildings		**26,952**	25,946
Gross rental income from investment properties and investment properties presented as non-current assets classified as held for sale		**(96,757)**	(107,535)
Less: Direct operating expenses		**24,410**	17,946
Net rental income		**(72,347)**	(89,589)
Entrusted management fee expense	47	**47,542**	—
Reversal of impairment of trade receivables, net	25	**(953)**	(350)
Provision/(reversal of provision) for inventories, net**		**487**	(2,622)
Write-off of properties, plant and equipment		**—**	23
Exchange (gain)/loss, net		**(2,081)**	4,675

* At 31 December 2012 and 2011, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	Group 2012 HK$'000	2011 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable:			
Within five years		**38,383**	18,466
Over five years		**563**	435
Interest on advances from affiliates:			
— an associate	47	**1,954**	1,599
— a related company	47	**4**	5
		40,904	20,505
Less: Interest capitalised		**(1,720)**	—
		39,184	20,505

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Fees	**341**	315
Other emoluments:		
Salaries, allowances and benefits in kind	**3,337**	3,024
Discretionary bonuses	**11**	710
Pension scheme contributions	**115**	101
Share awards	**25**	—
	3,488	3,835
	3,829	4,150

During the year, share awards were granted to an executive director. The fair value of such share awards has been recognised in the income statement over the vesting period and the amount attributable to the abovementioned executive director is included in the above directors' remuneration disclosure.

(a) Independent non-executive directors

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

	2012	2011
	HK$'000	HK$'000
Mr. Chiu Sin Chun	**75**	75
Mrs. Tse Wong Siu Yin Elizabeth	**75**	75
Ms. Li Yuen Yu Alice	**75**	75
Mr. Yip Dicky Peter J.P.	**17**	—
Dr. Leung Tony Ka Tung	**7**	—
	249	225

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and a non-executive director

2012

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Share awards HK$'000	Total remuneration HK$'000
Executive directors:						
Mr. Ng Hung Sang	10	—	—	—	—	10
Ms. Cheung Choi Ngor	10	1,880	—	100	—	1,990
Mr. Richard Howard Gorges	10	—	—	—	—	10
Mr. Ng Yuk Fung Peter	10	1,326	—	14	—	1,350
Mr. Law Albert Yu Kwan	1	131	11	1	25	169
Mr. Yeung Kwong Sunny	1	—	—	—	—	1
	42	3,337	11	115	25	3,530
Non-executive director:						
Ms. Ng Yuk Mui Jessica	50	—	—	—	—	50
	92	3,337	11	115	25	3,580

2011

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

The executive directors of the Company constitute senior management of the Group.

9. FIVE HIGHEST PAID EMPLOYEES

One of the five highest paid employees in current year was appointed as an executive director of the Company during the year. The remuneration attributable to his service as an executive director is set out in details in note 8 above. The remuneration of such employee for the full year of 2012, including those attributable to the service after the appointment as an executive director, are included in the remuneration amounts below.

The five highest paid employees during the year included one* (2011: one) director whose remuneration is set out in details in note 8 above. Details of the remuneration of the remaining four# (2011: four) highest paid employees for the year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**8,282**	8,265
Discretionary bonuses	**285**	7,341
Pension scheme contributions	**142**	113
Share awards	**853**	115
	9,562	15,834

The number of the aforesaid remaining four highest paid employees#, whose remuneration fell within the following bands, is as follows:

	Number of employees	
	2012	2011
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**1**	—
HK$2,500,001 to HK$3,000,000	**1**	—
HK$3,000,001 to HK$3,500,000	**1**	—
HK$3,500,001 to HK$4,000,000	**—**	1
HK$8,500,001 to HK$9,000,000	**—**	1
	4	4

* excluding the employee who was appointed as an executive director during the year as referred to in the above

\# including the employee who was appointed as an executive director during the year as referred to in the above

During the year, share awards were granted to certain highest paid employees in respect of their services to the Group. The fair value of such share awards has been recognised in the income statement over the vesting period and the amount attributable to such highest paid employees is included in the above highest paid employees' remuneration disclosure.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in respective countries/jurisdictions in which the Group operates.

	2012	2011
	HK$'000	HK$'000 (Restated)
Group:		
Current — Hong Kong		
Charge for the year	**2,732**	6,668
Over-provision in prior years	**(385)**	(474)
Current — Mainland China		
Charge for the year	**7,413**	15,273
Over-provision in prior years	**(2,525)**	(243)
Deferred tax (note 38)	**18,034**	8,600
Total tax charge for the year	**25,269**	29,824

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

	Group	
	2012	2011
	HK$'000	HK$'000 (Restated)
Profit before tax	**351,098**	346,227
Tax at the Hong Kong profits tax rate of 16.5% (2011: 16.5%)	**57,931**	57,127
Effect of different tax rates of subsidiaries operating in Mainland China and Taiwan	**(1,990)**	3,149
Profits and losses attributable to associates	**(44,593)**	(36,193)
Expenses not deductible for tax	**57,301**	22,802
Income not subject to tax	**(53,887)**	(34,772)
Effect of withholding tax at 5% on the distributable profits of the Group's subsidiaries in the PRC	**(295)**	128
Adjustments for current tax in respect of prior year provision	**(2,910)**	(717)
Tax losses utilised from previous periods	**(2,145)**	(684)
Tax losses not recognised	**15,788**	18,906
Others	**69**	78
Total tax charge for the year	**25,269**	29,824

The share of tax charge attributable to associates amounting to HK$4,190,000 (2011: HK$12,027,000 (restated)) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2012 includes a loss of HK$13,932,000 (2011: loss of HK$6,440,000) which has been dealt with in the financial statements of the Company (note 41(b)).

12. DIVIDENDS

The Company has not declared or paid any dividend during the year (2011: Nil) and the board of directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$318,676,000 (2011: HK$300,740,000 (restated)), and the weighted average number of ordinary shares of 2,962,827,000 (2011: 2,977,104,000) in issue less shares held for Share Award Scheme during the year.

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

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

	2012	2011
	HK$'000	HK$'000 (Restated)
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**318,676**	300,740

	Number of shares	
	2012	2011
	'000	'000
Shares		
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the year used in the basic earnings per share calculation	**2,962,827**	2,977,104
Effect of shares held for the Share Award Scheme	**25,810**	11,533
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**2,988,637**	2,988,637

The Company's share options have no dilution effect for the years ended 31 December 2012 and 2011 because the exercise prices of the Company's share options were higher than the average market prices of the shares for both years.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Furniture and leasehold improvements HK$'000	Machinery and equipment HK$'000	Moulds and tools HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
31 December 2012						
At 31 December 2011 and 1 January 2012:						
Cost or valuation	205,444	254,187	278,673	16,659	30,174	785,137
Accumulated depreciation and impairment	(96,405)	(214,376)	(223,909)	(11,725)	(24,705)	(571,120)
Net carrying amount	109,039	39,811	54,764	4,934	5,469	214,017
At 1 January 2012, net of accumulated depreciation and impairment	109,039	39,811	54,764	4,934	5,469	214,017
Additions	1,164	16,305	9,127	798	871	28,265
Disposals/write-offs	—	(262)	(88)	—	(191)	(541)
Transfer from construction in progress (note 17)	13,664	5,953	370	—	—	19,987
Depreciation provided during the year (note 6)	(10,304)	(14,109)	(11,230)	(1,729)	(1,726)	(39,098)
At 31 December 2012, net of of accumulated depreciation and impairment	113,563	47,698	52,943	4,003	4,423	222,630
At 31 December 2012:						
Cost or valuation	220,272	268,415	282,674	17,457	28,478	817,296
Accumulated depreciation and impairment	(106,709)	(220,717)	(229,731)	(13,454)	(24,055)	(594,666)
Net carrying amount	113,563	47,698	52,943	4,003	4,423	222,630
Analysis of cost or valuation:						
At cost	172,763	268,415	282,674	17,457	28,478	769,787
At 31 December 1988 valuation	31,112	—	—	—	—	31,112
At 31 December 1989 valuation	5,220	—	—	—	—	5,220
At 31 December 1992 valuation	204	—	—	—	—	204
At 31 December 1994 valuation	10,973	—	—	—	—	10,973
	220,272	268,415	282,674	17,457	28,478	817,296

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

Group *(Continued)*

	Leasehold land and buildings HK$'000	Furniture and leasehold improvements HK$'000	Machinery and equipment HK$'000	Moulds and tools HK$'000	Motor vehicles and vessels HK$'000	Total HK$'000
31 December 2011						
At 1 January 2011:						
Cost or valuation	236,434	237,809	268,735	15,597	28,264	786,839
Accumulated depreciation and impairment	(90,825)	(204,562)	(209,950)	(10,032)	(22,656)	(538,025)
Net carrying amount	145,609	33,247	58,785	5,565	5,608	248,814
At 1 January 2011, net of accumulated depreciation and impairment	145,609	33,247	58,785	5,565	5,608	248,814
Exchange realignment	1,231	204	1,490	—	188	3,113
Additions	39	19,045	7,132	1,061	1,893	29,170
Disposals/write-offs	—	(409)	(3)	—	(48)	(460)
Write-back of impairment	—	183	—	—	—	183
Transfer from construction in progress (note 17)	20,357	—	—	—	—	20,357
Transfer to investment properties, net (note 15)	(57,795)	—	—	—	—	(57,795)
Depreciation provided during the year (note 6)	(9,546)	(12,459)	(12,640)	(1,692)	(2,172)	(38,509)
Surplus on revaluation	9,144	—	—	—	—	9,144
At 31 December 2011, net of accumulated depreciation and impairment	109,039	39,811	54,764	4,934	5,469	214,017
At 31 December 2011:						
Cost or valuation	205,444	254,187	278,673	16,659	30,174	785,137
Accumulated depreciation and impairment	(96,405)	(214,376)	(223,909)	(11,725)	(24,705)	(571,120)
Net carrying amount	109,039	39,811	54,764	4,934	5,469	214,017
Analysis of cost or valuation:						
At cost	157,935	254,187	278,673	16,659	30,174	737,628
At 31 December 1988 valuation	31,112	—	—	—	—	31,112
At 31 December 1989 valuation	5,220	—	—	—	—	5,220
At 31 December 1992 valuation	204	—	—	—	—	204
At 31 December 1994 valuation	10,973	—	—	—	—	10,973
	205,444	254,187	278,673	16,659	30,174	785,137

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

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

	Group	
	2012	2011
	HK$'000	HK$'000
Leasehold land and buildings in Hong Kong:		
Long term leases	**19,244**	20,036
Medium term leases	**14,004**	14,380
	33,248	34,416
Buildings in Mainland China	**80,315**	74,623
	113,563	109,039

The Group was in the process of applying the land use right certificates for certain leasehold land in Mainland China on which buildings with carrying amount of approximately HK$32,746,000 as at 31 December 2012 were erected, (2011: HK$34,324,000). The directors do not expect any legal obstacle in obtaining the relevant title certificates.

In 2011, the Group transferred certain leasehold land and buildings to investment properties at fair value of HK$57,795,000.

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

Had the land and buildings been carried at cost less accumulated depreciation and impairment losses, the net book value of the Group's land and buildings at 31 December 2012 would have been approximately HK$92,948,000 (2011: HK$87,759,000).

At 31 December 2012, certain of the Group's leasehold land and buildings (including their corresponding prepaid land lease payments) with a net book value of approximately HK$95,125,000 (2011: HK$88,584,000) were pledged to secure banking facilities granted to the Group (note 34).

15. INVESTMENT PROPERTIES

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 January	**1,648,393**	1,445,134
Transfer from leasehold land and buildings, net (note 14)	**—**	57,795
Transfer from prepaid land lease payments (note 16)	**—**	9,295
Transfer from construction in progress (note 17)	**1,536**	763
Transfer to non-current assets classified as held for sale, at fair value (note 31)	**(92,900)**	—
Additions	**4,371**	2,275
Fair value gain	**164,978**	78,051
Exchange realignment	**—**	55,080
Carrying amount at 31 December	**1,726,378**	1,648,393

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

	Group	
	2012	2011
	HK$'000	HK$'000
Hong Kong:		
Long term leases	**204,300**	222,500
Medium term leases	**108,590**	94,730
	312,890	317,230
Mainland China:		
Medium term leases	**1,413,488**	1,331,163
	1,726,378	1,648,393

Certain investment properties of the Group were revalued on 31 December 2012 by BMI Appraisals Limited, an independent professionally qualified valuer, at HK$92,900,000 on an open market, existing use basis upon transfer to non-current assets classified as held for sale (note 31).

The Group's investment properties were revalued on 31 December 2012 by BMI Appraisals Limited, an independent professionally qualified valuer, at HK$1,726,378,000 (2011: HK$1,648,393,000) on an open market, existing use basis. The investment properties are leased or available for lease to third parties under operating leases. Details about such operating lease arrangements are included in note 45(a) to the financial statements.

At 31 December 2012, the Group's investment properties with aggregate value of HK$312,890,000 (2011: HK$382,330,000) were pledged and mortgaged to secure general banking facilities granted to the Group (note 34).

The Group was in the process of applying the land use rights certificates in respect of certain investment properties of the Group located in Mainland China amounting to approximately HK$1,182,443,000 as at 31 December 2012 (2011: HK$1,123,740,000). The directors do not expect any legal obstacle in obtaining the relevant title certificates.

Further particulars of the Group's investment properties are included on pages 123 to 127.

16. PREPAID LAND LEASE PAYMENTS

	Group 2012 HK$'000	2011 HK$'000
Carrying amount at 1 January	**118,283**	78,138
Exchange realignment	**—**	3,115
Additions	**30,861**	84,633
Surplus on revaluation upon transfer to investment properties	**—**	458
Transfer to investment properties (note 15)	**—**	(9,295)
Amortised during the year (note 6)	**(17,096)**	(21,514)
Capitalised as biological assets	**(26,057)**	(17,252)
Capitalised as inventories	**(1,539)**	—
Carrying amount at 31 December	**104,452**	118,283
Current portion included in prepayments, deposits and other receivables	**(16,623)**	(28,283)
Non-current portion	**87,829**	90,000

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

	Group 2012 HK$'000	2011 HK$'000
Long term leases	**31,445**	23,204
Medium term leases	**73,007**	95,079
	104,452	118,283

17. CONSTRUCTION IN PROGRESS

	Group 2012 HK$'000	2011 HK$'000
Carrying amount at 1 January	**84,711**	51,256
Exchange realignment	**—**	1,633
Additions	**53,138**	52,942
Transfer to property, plant and equipment (note 14)	**(19,987)**	(20,357)
Transfer to investment properties (note 15)	**(1,536)**	(763)
Carrying amount at 31 December	**116,326**	84,711

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**234,018**	234,018
Capital contribution to Share Award Trust (note)	**2,499**	886
	236,517	234,904
Due from subsidiaries	**1,587,028**	1,433,935
	1,823,545	1,668,839

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

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

The amounts due to subsidiaries included in the Company's statement of financial position of HK$1,331,704,000 (2011: HK$1,377,828,000) are unsecured, interest-free and are not repayable within twelve months from the end of the reporting period.

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

19. INVESTMENTS IN ASSOCIATES

	Group	
	2012	2011
	HK$'000	HK$'000
		(Restated)
Share of net assets:		
Unlisted associates as previously reported	**1,108,542**	731,237
Adjustment for HKAS 12 Amendments	**—**	144,683
As restated	**1,108,542**	875,920
Advances to associates	**57,779**	57,699
Provision for impairment#	**(41,467)**	(41,387)
	16,312	16,312
	1,124,854	892,232

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

As a result of retrospective application of the HKAS 12 Amendments as detailed in note 2.2 to the financial statements, share of net assets in unlisted associates as at 1 January 2011 of HK$647,872,000 as previously reported was restated to HK$760,705,000.

19. INVESTMENTS IN ASSOCIATES *(Continued)*

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, advances to associates with carrying amount before provision of HK$57,779,000 (2011: HK$57,699,000) are not repayable within twelve months from the end of the reporting period and, accordingly, such advances are classified in the statement of financial position as non-current assets.

The amount due to an associate of HK$116,579,000 as at 31 December 2012 (2011: HK$140,724,000), which carries interest at Hong Kong lnterbank Offered Rate ("HIBOR") plus 1.73% per annum (2011: HIBOR plus 1.05% per annum), is unsecured, not repayable within twelve months from the end of the reporting period and, therefore, classified in the statement of financial position as non-current liabilities.

The Group has given a guarantee in an amount of HK$579,600,000 (2011: HK$579,600,000) to secure banking facilities granted to Firm Wise Investment Limited ("FWIL"), an associate of the Company, of which HK$551,400,000 was utilised as at 31 December 2012 (2011: HK$566,100,000) (note 43). The banking facilities are due to be mature in November 2013. The guarantees given were used on refinancing an investment property in Hong Kong.

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

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**41,387**	40,891
Impairment loss recognised	**80**	496
At 31 December	**41,467**	41,387

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

FWIL

	2012	2011
	HK$'000	HK$'000
		(Restated)
Assets	**5,683,662**	4,951,218
Liabilities	**1,972,422**	2,024,702
Revenue	**171,449**	156,446
Profit	**896,724**	726,168

As a result of the retrospective application of the HKAS 12 Amendments as detailed in note 2.2 to the financial statements, the liabilities of HK$1,650,484,000 as at 1 January 2011 as previously reported in the summary financial information of FWIL was restated to HK$1,274,374,000.

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

Other associates

	2012	2011
	HK$'000	HK$'000
Assets	**84,049**	98,560
Liabilities	**26,836**	27,418
Revenue	**101,839**	88,160
Profit	**4,143**	4,948

19. INVESTMENTS IN ASSOCIATES *(Continued)*

Other associates *(Continued)*

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

At 31 December 2012, the Group had pledge and mortgage over the shares in a wholly-owned subsidiary that holds the interests in an associate with share of net assets equity accounted for by the Group of approximately HK$1,113 million as at 31 December 2012 (2011: HK$878 million (restated)) (note 34).

20. BIOLOGICAL ASSETS

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 January	**155,625**	161,735
Additions	**35,540**	33,918
Loss arising from changes in fair value less costs to sell	**(12,845)**	(46,472)
Write-off of biological assets	**(39,814)**	—
Decrease due to harvest (note 6)	**(722)**	(307)
Exchange realignment	**—**	6,751
Carrying amount at 31 December	**137,784**	155,625

Movements of biological assets by principal biological asset category are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Lychee trees:		
Carrying amount at 1 January	**16,392**	24,118
Additions	**1,271**	—
Loss arising from changes in fair value less costs to sell	**(1,271)**	(8,545)
Write-off of biological assets	**(254)**	—
Decrease due to harvest	**(25)**	(146)
Exchange realignment	**—**	965
Carrying amount at 31 December	**16,113**	16,392
Longan trees:		
Carrying amount at 1 January	**5,299**	8,235
Loss arising from changes in fair value less costs to sell	**(1,722)**	(3,259)
Write-off of biological assets	**(1,333)**	—
Exchange realignment	**—**	323
Carrying amount at 31 December	**2,244**	5,299
Winter date trees:		
Carrying amount at 1 January	**44,043**	35,176
Additions	**943**	5,084
(Loss)/gain arising from changes in fair value less costs to sell	**(26,173)**	2,093
Write-off of biological assets	**(21)**	—
Decrease due to harvest	**(697)**	(131)
Exchange realignment	**—**	1,821
Carrying amount at 31 December	**18,095**	44,043

20. BIOLOGICAL ASSETS *(Continued)*

	Group	
	2012	2011
	HK$'000	HK$'000
Apple trees:		
Carrying amount at 1 January	**52,879**	46,000
Additions	**12,255**	16,513
Loss arising from changes in fair value less costs to sell	**(3,589)**	(11,919)
Write-off of biological assets	**(17,512)**	—
Exchange realignment	**—**	2,285
Carrying amount at 31 December	**44,033**	52,879
Others:		
Carrying amount at 1 January	**37,012**	48,206
Additions	**21,071**	12,321
Gain/(loss) arising from changes in fair value less costs to sell	**19,910**	(24,842)
Write-off of biological assets	**(20,694)**	—
Decrease due to harvest	**—**	(30)
Exchange realignment	**—**	1,357
Carrying amount at 31 December	**57,299**	37,012
Total carrying amount at 31 December	**137,784**	155,625

Quantities of fruit trees:

	Group	
	2012	2011
	Number of trees	Number of trees
	'000	'000
Lychee trees	**213**	217
Longan trees	**70**	94
Winter date trees	**128**	366
Apple trees	**477**	622
Others	**2,448**	1,899
	3,336	3,198

20. BIOLOGICAL ASSETS *(Continued)*

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

	Group	
	2012	2011
	HK$'000	HK$'000
Fair value less costs to sell:		
Lychee	**25**	146
Winter date	**697**	131
Others	**—**	30
	722	307
	Tons	Tons
Saleable output:		
Lychee fruits	**3**	30
Winter date fruits	**121**	25
Others	**—**	19
	124	74

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

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

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

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

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2012	2011
	HK$'000	HK$'000
Club debentures, at fair value	**57,356**	45,962
Unlisted equity investments, at cost	**25**	25
	57,381	45,987

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

The fair value gain in respect of the Group's club debentures recognised in other comprehensive income and impairment loss in respect of the Group's club debentures recognised in the consolidated income statement during the year amounted to HK$11,415,000 (2011: fair value loss of HK$7,126,000) and HK$21,000 (2011: HK$84,000) (note 5), respectively.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

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

22. TRADE RECEIVABLE, PREPAYMENTS AND DEPOSITS

		Group	
		2012	2011
	Note	**HK$'000**	HK$'000
Trade receivable	25	—	11,340
Prepayments and deposits		**268,215**	18,779
		268,215	30,119

The prepayments and deposits balance as at 31 December 2012 includes the partial payments of HK$249,438,000 of the purchase consideration for the acquisition of Splendor Sheen Limited under the sale and purchase agreement entered into between a wholly-owned subsidiary of the Company and a wholly-owned subsidiary of South China Land Limited. Details about the acquisition were set out in the Company's circular dated 19 October 2012. The trade receivable balance as at 31 December 2011 represents the sum falling due after twelve months of the end of the reporting period in respect of a trade receivable collectible by monthly installments. As at 31 December 2012, all the remaining installments of the said trade receivable fell due within twelve months, and were classified as trade receivables under current assets accordingly.

23. GOODWILL

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January:		
Cost	**6,652**	6,571
Accumulated impairment	**(3,500)**	(3,500)
Net carrying amount	**3,152**	3,071
Carrying amount at 1 January	**3,152**	3,071
Exchange realignment	—	81
At 31 December	**3,152**	3,152
At 31 December:		
Cost	**6,652**	6,652
Accumulated impairment	**(3,500)**	(3,500)
Net carrying amount	**3,152**	3,152

The amount of goodwill arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, which remained in the consolidated reserves, was HK$3,067,000 (2011: HK$3,067,000) as at 31 December 2012.

23. GOODWILL *(Continued)*

Impairment testing of goodwill

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

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

Property investment and development cash-generating unit

The recoverable amount of the property investment and development cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 11.75% (2011: 13.0%). Cash flows beyond the five-year period are extrapolated using a growth rate of 3.0% (2011: 3.0%) which is estimated on the basis of the long term average growth rate of the property investment and development industry.

Toy manufacturing and trading cash-generating unit

The recoverable amount of the toy manufacturing and trading cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 9.5% (2011: 10.0%). Cash flows beyond the five-year period are extrapolated using a growth rate of 3.0% (2011: 2.5%) which is estimated on the basis of the long term average growth rate of the toy manufacturing and trading industry.

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

	Group	
	2012	2011
	HK$'000	HK$'000
Cash-generating unit:		
Property investment and development	**1,778**	1,778
Toy manufacturing and trading	**1,374**	1,374
	3,152	3,152

Assumptions were used in the value-in-use calculation of the property investment and development and toy manufacturing and trading cash-generating units for the years ended 31 December 2012 and 31 December 2011. The following describes each key assumption on which management has based to undertake impairment testing of goodwill by using the cash flow projections:

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

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

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

24. INVENTORIES

	Group 2012 HK$'000	2011 HK$'000
Raw materials	**148,773**	148,896
Work in progress	**80,889**	90,417
Finished goods	**171,502**	174,470
	401,164	413,783
Provision for inventories	**(59,768)**	(67,246)
	341,396	346,537

At 31 December 2012, the Group's inventories with a value of HK$251,214,000 (2011: HK$228,719,000) were pledged to secure general banking facilities granted to the Group (note 34).

25. TRADE RECEIVABLES

	Note	Group 2012 HK$'000	2011 HK$'000
Trade receivables:			
Non-current portion	22	**—**	11,340
Current portion		**248,140**	315,796
		248,140	327,136
Impairment		**(62,182)**	(63,234)
		185,958	263,902
Trade receivables, net of provision for impairment:			
Non-current portion		**—**	11,340
Current portion		**185,958**	252,562
		185,958	263,902

25. TRADE RECEIVABLES *(Continued)*

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

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

	Group	
	2012	2011
	HK$'000	HK$'000
Within 90 days	**168,086**	231,276
91 to 180 days	**6,152**	5,981
181 to 365 days	**6,120**	22,048
Over 365 days	**5,600**	4,597
	185,958	263,902

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

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**63,234**	63,707
Exchange realignment	**—**	61
Impairment loss reversed (notes 5 and 6)	**(953)**	(350)
Amount written off as uncollectible	**(99)**	(184)
At 31 December	**62,182**	63,234

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$62,182,000 (2011: HK$63,234,000) with an aggregate carrying amount before provision of HK$62,182,000 (2011: HK$63,234,000). The individually impaired trade receivables relate to customers that were in financial difficulties or with whom there were trade disputes. The Group does not hold any collateral or other credit enhancements over these balances.

25. TRADE RECEIVABLES *(Continued)*

The ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired based on invoice date is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within 90 days	**168,086**	231,276
91 to 180 days	**6,152**	5,981
181 to 365 days	**6,120**	22,048
Over 365 days	**5,600**	4,597
	185,958	263,902

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

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Foreign exchange forward contract	**1,464**	—	**—**	—
Equity investments at market value listed in:				
Hong Kong	**36,736**	25,520	**16,808**	6,228
Mainland China	**1,353**	1,365	**—**	—
	38,089	26,885	**16,808**	6,228
	39,553	26,885	**16,808**	6,228

The Group has entered into a non-delivery foreign exchange forward contract, which did not meet the criteria of hedge accounting, to buy Renminbi and sell Hong Kong dollar. The changes in the fair value of such non-hedging currency derivatives gave rise to a gain of HK$1,464,000 (2011: Nil), which was credited to profit or loss during the year. The carrying amount of foreign exchange forward contract represents its fair value.

The above equity investments at 31 December 2012 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss. The market value of such short term investments of the Group and the Company at the date of approval of these financial statements were approximately HK$40,449,000 and HK$18,690,000 respectively.

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

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

29. DUE FROM AN AFFILIATE

	Group	
	2012	2011
	HK$'000	HK$'000
Due from a related company#	**78,000**	78,000

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

The amount due from a related company is unsecured and repayable on demand subject to a term of three years from drawdown date, and carries interest at Hong Kong dollar prime rate. The maximum amount outstanding during the year was HK$78,000,000.

30. CASH AND BANK BALANCES

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$90,115,000 (2011: HK$156,245,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through the banks authorised to conduct foreign exchange business.

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

31. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 January	**331,990**	435,339
Exchange realignment	**239**	(446)
Transfer from investment properties (note 15)	**92,900**	—
Fair value gain	**103,016**	24,487
Disposal of a subsidiary (note 42)	**(27,800)**	—
Disposal	**(2,921)**	(127,390)
Carrying amount at 31 December	**497,424**	331,990

At 31 December 2012, the Group's non-current assets classified as held for sale with an aggregate value of HK$492,270,000 (2011: HK$294,220,000) were pledged and mortgaged to secure banking facilities granted to the Group (note 34).

Further particulars of the Group's investment properties as presented as non-current assets classified as held for sale are on page 128.

32. TRADE AND BILLS PAYABLES

	Group	
	2012	2011
	HK$'000	HK$'000
Trade payables	**237,851**	352,980
Bills payable	—	1,391
	237,851	354,371

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

	Group	
	2012	2011
	HK$'000	HK$'000
Within 90 days	**167,082**	239,164
91 to 180 days	**14,939**	50,335
181 to 365 days	**7,387**	16,443
Over 365 days	**48,443**	47,038
	237,851	352,980

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

33. OTHER PAYABLES AND ACCRUALS

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

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group 2012 HK$'000	Group 2011 HK$'000	Company 2012 HK$'000	Company 2011 HK$'000
Current						
Bank overdrafts — unsecured	5.00–5.50	on demand	**6,439**	—	**—**	—
Bank overdrafts — secured	5.00–5.50	on demand	**7,683**	710	**—**	—
Bank loans — unsecured	1.77–6.16	2013	**102,121**	14,522	**—**	—
Bank loans — secured	0.78–7.93	2013	**647,880**	493,844	**330,000**	150,000
Trust receipt loans — secured	1.80–2.43	2013	**251,214**	228,719	**—**	—
			1,015,337	737,795	**330,000**	150,000
Non-current						
Bank loans — unsecured	4.00–5.00	2014–2015	**2,409**	2,544	**—**	—
Bank loans — secured	2.24–3.40	2014–2017	**196,123**	65,924	**52,500**	—
			198,532	68,468	**52,500**	—
			1,213,869	806,263	**382,500**	150,000
Analysed into:						
Bank loans and overdrafts repayable:						
Within one year or on demand			**1,015,337**	737,795	**330,000**	150,000
In the second year			**60,274**	21,164	**15,000**	—
In the third to fifth years, inclusive			**138,258**	41,808	**37,500**	—
Over five years			**—**	5,496	**—**	—
			1,213,869	806,263	**382,500**	150,000

Notes:

Group

(a) At the end of the reporting period, the Group's bank and other borrowings of approximately HK$1,102,900,000 (2011: HK$789,197,000) were secured by:

(i) pledges and mortgages over the Group's investment properties situated in Hong Kong and Mainland China, which had an aggregate carrying value of approximately HK$312,890,000 (2011: HK$382,330,000) (note 15) at the end of the reporting period;

(ii) pledges and mortgages over the Group's investment properties presented as non-current assets classified as held for sale, which had an aggregate carrying value of approximately HK$492,270,000 (2011: HK$294,220,000) (note 31) at the end of the reporting period;

(iii) pledges and mortgages over the Group's leasehold land and buildings (including their corresponding prepaid land lease payments), which had an aggregate carrying value of approximately HK$95,125,000 (2011: HK$88,584,000) (note 14) at the end of the reporting period;

(iv) pledges over the Group's inventories, which had an aggregate carrying value of approximately HK$251,214,000 (2011: HK$228,719,000) (note 24) at the end of the reporting period; and

(v) pledge and mortgage over the shares in a wholly-owned subsidiary that holds the interests in an associate with share of net assets equity accounted for by the Group of approximately HK$1,113 million (2011: HK$878 million (restated)) (note 19) at the end of the reporting period.

(b) At the end of the reporting period, except for the secured bank loans with an aggregate amount of HK$130,542,000 (2011: HK$159,572,000), which were denominated in Renminbi, and an aggregate amount of HK$31,053,000, which were denominated in United States dollars as at 31 December 2011, and the unsecured bank loans of HK$44,240,000 (2011: HK$6,908,000), which were denominated in Renminbi, all other borrowings were in Hong Kong dollars.

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

Notes: *(Continued)*

Company

At the end of the reporting period, the Company's bank borrowings of approximately HK$382,500,000 (2011: HK$150,000,000) were secured by the pledge and mortgage over the shares in an indirectly wholly-owned subsidiary that holds the interests in an associate (note 19).

35. DUE TO A NON-CONTROLLING SHAREHOLDER OF SUBSIDIARIES

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

36. ADVANCES FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

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

37. OTHER NON-CURRENT LIABILITIES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Provision for severance payments	**79,725**	80,651	**—**	—
Others	**9,903**	9,759	**616**	472
	89,628	90,410	**616**	472

The movements in the provision for severance payments are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**80,651**	78,437
Exchange realignment	**—**	3,700
Amounts utilised during the year	**(926)**	(1,486)
At 31 December	**79,725**	80,651

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

38. DEFERRED TAX

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

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Withholding tax HK$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 January 2011 (restated)	8,831	220,689	633	(5,382)	224,771
Deferred tax charged/(credited) to the income statement (note 10) (restated)	565	8,084	128	(177)	8,600
Exchange realignment	—	11,109	—	—	11,109
At 31 December 2011 (restated)	9,396	239,882	761	(5,559)	244,480
At 1 January 2012	9,396	239,882	761	(5,559)	244,480
Deferred tax charged/(credited) to the income statement (note 10)	87	18,481	(295)	(239)	18,034
Exchange realignment	—	1	—	—	1
At 31 December 2012	9,483	258,364	466	(5,798)	262,515

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

(i) *Tax losses arising in Hong Kong*

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Tax losses	**329,214**	320,514	**22,540**	22,540

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

(ii) *Tax losses arising in Mainland China*

The Group has tax losses arising in Mainland China of HK$77,936,000 (2011: HK$188,720,000) in the past five years for offsetting against future taxable profits. Such tax losses will expire in one to five years for offsetting against future taxable profits.

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

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

38. DEFERRED TAX *(Continued)*

At 31 December 2012, no deferred tax has been recognised for withholding taxes on the unremitted earnings, which are subject to the abovementioned withholding taxes, of certain subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in the major subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$25,787,000 at 31 December 2012 (2011: HK$19,383,000).

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

39. SHARE CAPITAL

Shares

	Number of shares	Amount HK$'000
Authorised:		
Ordinary share of HK$0.02 each at 31 December 2011, 1 January 2012 and 31 December 2012	5,000,000,000	100,000
Redeemable convertible preference share of HK$0.02 each at 31 December 2012 (2011: Nil)	2,000,000,000	40,000

	Number of shares	Amount HK$'000
Issued and fully paid:		
Ordinary share of HK$0.02 each at 31 December 2011, 1 January 2012 and 31 December 2012	2,988,636,863	59,773

Pursuant to a special resolution passed in the extraordinary general meeting of the shareholders of the Company held on 13 November 2012, the authorised share capital of the Company was increased from HK$100,000,000 divided into 5,000,000,000 ordinary shares of HK$0.02 each to HK$140,000,000 comprising:

(a) 5,000,000,000 ordinary shares of HK$0.02 each; and

(b) 2,000,000,000 redeemable convertible preference shares of HK$0.02 each

by the creation of 2,000,000,000 redeemable convertible preference shares of HK$0.02 each.

Share options

Details of the Company's share option schemes and the share options issued under the scheme are included in note 40 to the financial statements.

Share awards

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

39. SHARE CAPITAL *(Continued)*

Share awards *(Continued)*

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

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

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

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

	2012		2011	
	Average fair value per share HK$	**Number of awarded shares**	Average fair value per share HK$	Number of awarded shares
At 1 January		**6,336,000**		—
Awarded	**0.48**	**2,080,000**	0.55	7,680,000
Forfeited	**0.53**	**(1,128,000)**	0.53	(1,344,000)
Vested	**0.63**	**(1,312,000)**	—	—
At 31 December		**5,976,000**		6,336,000

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

	2012		2011	
	Value HK$'000	**Number of shares held**	Value HK$'000	Number of shares held
At 1 January	**10,751**	**17,928,000**	—	—
Purchased during the year	**12,719**	**21,328,000**	10,751	17,928,000
Vested during the year	**(820)**	**(1,312,000)**	—	—
At 31 December	**22,650**	**37,944,000**	10,751	17,928,000

During the year, the Share Award Scheme transferred 1,312,000 shares of the Company (2011: Nil) to the awardees upon vesting of certain awarded shares. The total cost of the vested shares was HK$820,000 (2011: Nil).

The remaining vesting period of the awarded shares in the Company outstanding as at 31 December 2012 is between 0.5 year to 2.0 years.

40. SHARE OPTION SCHEMES

The share option scheme adopted by the Company on 31 May 2002 (the "2002 Share Option Scheme") was terminated on 5 June 2012. Thereafter, no further options will be granted under the 2002 Share Option Scheme but the subsisting share options granted thereunder prior to its termination shall continue to be valid and exercisable pursuant to the terms of the 2002 Share Option Scheme.

At the annual general meeting of the Company held on 5 June 2012, the shareholders of the Company approved the adoption of a new share option scheme (the "2012 Share Option Scheme") and it became effective on 11 June 2012. Under the 2012 Share Option Scheme, the directors of the Company may grant options to eligible persons to subscribe for the Company's shares subject to the terms and conditions as stipulated therein. Unless otherwise cancelled or amended, the 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective.

The directors and employees of the Group are entitled to participate in share option schemes operated by the Company. Details of the share option schemes are as follows:

(i) 2002 Share Option Scheme (terminated)

(a) *Purpose of the 2002 Share Option Scheme*

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

(b) *Participants of the 2002 Share Option Scheme*

According to the 2002 Share Option Scheme, the board may, at its discretion, grant share options to any person belonging to any of the following classes of participants to subscribe for shares:

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

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

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

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

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

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

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

40. SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme (terminated) *(Continued)*

(b) *Participants of the 2002 Share Option Scheme (Continued)*

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

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

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

(c) *Total number of shares available for issue under the 2002 Share Option Scheme*

The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the shares in issue as at the date of approval of the 2002 Share Option Scheme.

However, since the 2002 Share Option Scheme had already been terminated, no further share will be issued pursuant to the grant of further share options under the 2002 Share Option Scheme.

(d) *Maximum entitlement of each participant*

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such participant would exceed in aggregate 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

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

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

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

There is no specific requirement under the 2002 Share Option Scheme that an option must be held for any minimum period before it can be exercised, but the terms of the 2002 Share Option Scheme provide that the board of the Company has the discretion to impose a minimum period at the time of grant of any particular option.

40. SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme (terminated) *(Continued)*

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

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

(h) *Basis of determining the exercise price of the options*

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

(i) *Remaining life of the 2002 Share Option Scheme*

The 2002 Share Option Scheme was in force for a period of 10 years commencing on 18 June 2002 and was terminated on 5 June 2012.

The following share options were outstanding under the 2002 Share Option Scheme during the year:

	2012		2011	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**1.5**	**94,000**	1.5	96,200
Lapsed during the year	**1.5**	**(1,300)**	1.5	(2,200)
At 31 December	**1.5**	**92,700**	1.5	94,000

40. SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme (terminated) *(Continued)*

Particulars of the outstanding share options granted under the 2002 Share Option Scheme and their movements during the year were as follows:

	Number of share options									
Name or category of participant	**Outstanding as at 1 January 2012**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**Re-classified** (Note 1)	**Outstanding as at 31 December 2012**	**Date of grant of share options (DD/MM/YYYY)** (Note 2)	**Exercise period of share options (DD/MM/YYYY)**	**Subscription price per share HK$** (Note 3)
Directors										
Cheung Choi Ngor	8,666,666	—	—	—	—	—	8,666,666	18/09/2007	18/09/2008 to 17/09/2017	1.500
	8,666,667	—	—	—	—	—	8,666,667	18/09/2007	18/09/2009 to 17/09/2017	1.500
	8,666,667	—	—	—	—	—	8,666,667	18/09/2007	18/09/2010 to 17/09/2017	1.500
Ng Yuk Fung Peter	8,666,666	—	—	—	—	—	8,666,666	18/09/2007	18/09/2008 to 17/09/2017	1.500
	8,666,667	—	—	—	—	—	8,666,667	18/09/2007	18/09/2009 to 17/09/2017	1.500
	8,666,667	—	—	—	—	—	8,666,667	18/09/2007	18/09/2010 to 17/09/2017	1.500
Sub-total	52,000,000	—	—	—	—	—	52,000,000			
Employees										
In aggregate	1,333,333	—	—	—	—	—	1,333,333	18/09/2007	18/09/2008 to 17/09/2017	1.500
	1,333,333	—	—	—	—	—	1,333,333	18/09/2007	18/09/2009 to 17/09/2017	1.500
	1,333,334	—	—	—	—	—	1,333,334	18/09/2007	18/09/2010 to 17/09/2017	1.500
	2,099,999	—	—	(333,333)	—	200,000	1,966,666	25/09/2007	25/09/2008 to 24/09/2017	1.500
	2,099,999	—	—	(333,333)	—	200,000	1,966,666	25/09/2007	25/09/2009 to 24/09/2017	1.500
	2,100,002	—	—	(333,334)	—	200,000	1,966,668	25/09/2007	25/09/2010 to 24/09/2017	1.500
Sub-total	10,300,000	—	—	(1,000,000)	—	600,000	9,900,000			
Others										
In aggregate	10,066,665	—	—	—	—	—	10,066,665	18/09/2007	18/09/2008 to 17/09/2017	1.500
	10,066,666	—	—	—	—	—	10,066,666	18/09/2007	18/09/2009 to 17/09/2017	1.500
	10,066,669	—	—	—	—	—	10,066,669	18/09/2007	18/09/2010 to 17/09/2017	1.500
	500,000	—	—	(100,000)	—	(200,000)	200,000	25/09/2007	25/09/2008 to 24/09/2017	1.500
	500,000	—	—	(100,000)	—	(200,000)	200,000	25/09/2007	25/09/2009 to 24/09/2017	1.500
	500,000	—	—	(100,000)	—	(200,000)	200,000	25/09/2007	25/09/2010 to 24/09/2017	1.500
Sub-total	31,700,000	—	—	(300,000)	—	(600,000)	30,800,000			
Total	94,000,000	—	—	(1,300,000)	—	—	92,700,000			

Notes:

1. Due to internal re-organization, one "Other Participant" holding options under the 2002 Share Option Scheme had been re-classified. Consequently, 600,000 share options were re-classified from "Others" to "Employees".

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

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

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

40. SHARE OPTION SCHEMES *(Continued)*

(i) 2002 Share Option Scheme (terminated) *(Continued)*

Except 1,300,000 share options have been lapsed, no share option has been granted, exercised or cancelled during the year ended 31 December 2012. The Group recognised no share option expense in the years ended 31 December 2012 and 2011.

At the end of the reporting period, the Company had 92,700,000 share options outstanding under the 2002 Share Option Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 92,700,000 additional ordinary shares of the Company with additional share capital of HK$1,854,000 and share premium of HK$137,196,000(before issue expenses).

(ii) 2012 Share Option Scheme

(a) *Purpose of the 2012 Share Option Scheme*

In order to provide incentives or rewards to the participants for their contributions to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any Invested Entity, the shareholders of the Company approved the adoption of the 2012 Share Option Scheme at the annual general meeting held on 5 June 2012.

(b) *Participants of the 2012 Share Option Scheme*

According to the 2012 Share Option Scheme, the board may, at its discretion, grant share options to any person belonging to any of the following classes of participants to subscribe for shares:

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

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

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

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

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

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

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

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

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

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

40. SHARE OPTION SCHEMES *(Continued)*

(ii) 2012 Share Option Scheme *(Continued)*

(c) *Total number of shares available for issue under the 2012 Share Option Scheme*

The maximum number of shares in respect of which share options may be granted shall not exceed 10% of the shares in issue as at the date of approval of the 2012 Share Option Scheme, ie a total of 298,863,686.

As at 31 December 2012, the total number of shares available for issue pursuant to the grant of further share options under the 2012 Share Option Scheme is 298,863,686, representing approximately 10% of the issued share capital of the Company as at the date of this Annual Report.

(d) *Maximum entitlement of each participant*

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised, cancelled and outstanding options) in any 12 month period up to and including the date of grant to such participant would exceed in aggregate 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates (as defined in the Listing Rules) abstaining from voting.

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

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

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

There is no specific requirement under the 2012 Share Option Scheme that an option must be held for any minimum period before it can be exercised, but the terms of the 2012 Share Option Scheme provide that the board of the Company has the discretion to impose a minimum period at the time of grant of any particular option.

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

An amount of HK$1 for each lot of share options granted is payable upon acceptance of the options within 28 days from the date of offer of the option.

(h) *Basis of determining the exercise price of the options*

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

40. SHARE OPTION SCHEMES *(Continued)*

(ii) 2012 Share Option Scheme *(Continued)*

(i) *Remaining life of the 2012 Share Option Scheme*

Subject to early termination of the 2012 Share Option Scheme pursuant to the terms thereof, the 2012 Share Option Scheme will be valid and effective for a period of 10 years commencing on the date on which it became effective on 11 June 2012.

During the year ended 31 December 2012, no share option has been granted, exercised or cancelled under the 2012 Share Option Scheme since its adoption.

41. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 31 to 32 of the financial statements.

(b) Company

	Notes	Share premium HK$'000	Capital redemption reserve HK$'000	Shares held for Share Award Scheme HK$'000	Employee share-based compensation reserve# HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2011		6,724	223	—	53,036	45,597	105,580
Total comprehensive loss for the year	11	—	—	—	—	(6,440)	(6,440)
Shares purchased for Share Award Scheme		—	—	(10,751)	—	—	(10,751)
Final dividend relating to 2010 for shares held for Share Award Scheme		—	—	—	—	149	149
Recognition of equity-settled share-based compensation: share award		—	—	—	885	—	885
At 31 December 2011 and 1 January 2012		6,724	223	(10,751)	53,921	39,306	89,423
Total comprehensive loss for the year	11	—	—	—	—	(13,932)	(13,932)
Shares purchased for Share Award Scheme		—	—	(12,719)	—	—	(12,719)
Vesting of shares awarded under Share Award Scheme		—	—	820	(820)	—	—
Transfer of employee share-based compensation reserve upon forfeiture of share options		—	—	—	(2,714)	2,714	—
Recognition of equity-settled share-based compensation: share award		—	—	—	1,612	—	1,612
At 31 December 2012		6,724	223	(22,650)	51,999	28,088	64,384

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

41. RESERVES *(Continued)*

(b) Company *(Continued)*

The Company's reserves available for distribution include share premium, capital redemption reserve, employee share-based compensation reserve and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association provided that the Company is able to pay its debts as they fall due in the ordinary course of business immediately following the distribution of dividend. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2012 amounted to approximately HK$87,034,000 (2011: HK$100,174,000).

42. DISPOSAL OF A SUBSIDIARY

	Notes	**2012** **HK$'000**	2011 HK$'000
Net assets disposed of:			
Investment property presented as non-current assets classified as held for sale	31	**27,800**	—
Gain on disposal of a subsidiary	5	**200**	—
		28,000	—
Satisfied by:			
Cash		**28,000**	—

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2012 **HK$'000**	2011 HK$'000
Cash consideration and net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	**28,000**	—

43. CONTINGENT LIABILITIES

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with banking facilities granted to:				
FWIL (note 19)	**579,600**	579,600	**579,600**	579,600
Subsidiaries	**—**	—	**1,196,230**	1,189,097
Undertaking given to a former associate for banking facilities utilised by the former associate	**13,526**	13,526	**13,526**	13,526
	593,126	593,126	**1,789,356**	1,782,223

As at 31 December 2012, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$725,546,000 (2011: HK$563,049,000) and, in respect of the share attributable to the Group, the banking facilities granted to FWIL guaranteed by the Company was utilised to the extent of approximately HK$551,400,000 (2011: HK$566,100,000).

44. PLEDGE OF ASSETS

Details of the Group's bank loans and overdrafts, which are secured by the assets of the Group, are included in note 34 to the financial statements.

45. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements with leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and may provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**72,283**	70,472
In the second to fifth years, inclusive	**41,763**	79,161
Over five years	**—**	224
	114,046	149,857

45. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its factory premises and office properties under operating lease arrangements. Leases for these factory premises are negotiated for terms ranging from one month to ten years, and those for office properties are for terms of one to two years.

At 31 December 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**21,319**	16,574
In second to fifth years, inclusive	**67,545**	34,676
Over five years	**49,120**	51,639
	137,984	102,889

The Company did not have any operating lease commitment as at 31 December 2012 (2011: Nil).

46. CAPITAL COMMITMENTS

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

	Group	
	2012	2011
	HK$'000	HK$'000
Contracted but not provided for:		
Land and buildings	**93,187**	117,731
Machinery and equipment	**8,837**	8,752
Land use rights	**11,633**	70,106
Acquisition of the entire issued share capital of Splendor Sheen Limited (note 51)	**1,339,867**	—
	1,453,524	196,589
Authorised but not contracted for:		
Property, plant and equipment	**48,502**	46,606

The Company did not have any capital commitment as at 31 December 2012 (2011: Nil).

47. RELATED PARTY TRANSACTIONS

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

		Group	
	Notes	**2012 HK$'000**	2011 HK$'000
Transactions with an associate:			
Interest income (note 5)	(i)	**—**	86
Interest expense (note 7)	(ii)	**(1,954)**	(1,599)
Transactions with related companies[#]:			
Interest income (note 5)**	(iii)	**3,879**	3,120
Rental income**	(iv)	**5,823**	5,602
Entrusted management fee expense (note 6)**	(vi)	**(47,542)**	—
Air tickets and travel related services purchased*	(iv)	**(4,329)**	(3,731)
Share Award Scheme withdrawal fee*	(iv)	**(3)**	—
Interest expense* (note 7)	(v)	**(4)**	(5)

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

Notes:

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

(ii) The interest expense was charged at HIBOR plus 1.73% per annum (2011: HIBOR plus 1.05% per annum) on the outstanding balance of the amount due to FWIL.

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

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

(v) The interest expense was charged at Hong Kong dollar prime rate on the outstanding balance of the amounts due to the related company.

(vi) The entrusted management fee was charged in accordance with the terms of the entrusted management agreement entered into between the Group as the grantee and a related company as the grantor whereby the grantor granted the grantee the exclusive right to manage a shopping mall in Mainland China. Further details of the transaction have been set out in the circular of the Company dated 19 December 2011.

(b) Other transactions with related parties:

Details of a guarantee given by the Group to secure banking facilities granted to FWIL are set out in notes 19 and 43 to the financial statements.

(c) Outstanding balances with related parties:

Details of the balances with related parties at the end of the reporting period are included in notes 19, 28, 29, 35 and 36 to the financial statements.

47. RELATED PARTY TRANSACTIONS *(Continued)*

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

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

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

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

48. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group **2012**

Financial assets

	Financial assets at fair value through profit or loss — held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Advances to associates (note 19)	—	16,312	—	16,312
Available-for-sale financial assets (note 21)	—	—	57,381	57,381
Trade receivables (note 25)	—	185,958	—	185,958
Financial assets included in prepayments, deposits and other receivables	—	287,078	—	287,078
Due from a non-controlling shareholder of a subsidiary (note 28)	—	399	—	399
Due from a related company (note 29)	—	78,000	—	78,000
Financial assets at fair value through profit or loss (note 27)	39,553	—	—	39,553
Cash and bank balances	—	253,874	—	253,874
	39,553	821,621	57,381	918,555

48. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group 2011

Financial assets

	Financial assets at fair value through profit or loss — held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Advances to associates (note 19)	—	16,312	—	16,312
Available-for-sale financial assets (note 21)	—	—	45,987	45,987
Trade receivables (note 25)	—	263,902	—	263,902
Financial assets included in prepayments, deposits and other receivables	—	192,037	—	192,037
Due from a non-controlling shareholder of a subsidiary (note 28)	—	245	—	245
Due from a related company (note 29)	—	78,000	—	78,000
Financial assets at fair value through profit or loss (note 27)	26,885	—	—	26,885
Cash and bank balances	—	427,980	—	427,980
	26,885	978,476	45,987	1,051,348

Group **2012**

Financial liabilities

	Financial liabilities at fair value through profit or loss — designated as such upon initial recognition HK$'000	**Financial liabilities at amortised cost HK$'000**	**Total HK$'000**
Trade and bills payables	**—**	**237,851**	**237,851**
Financial liabilities included in other payables and accruals	**912**	**302,987**	**303,899**
Interest-bearing bank and other borrowings (note 34)	**—**	**1,213,869**	**1,213,869**
Due to non-controlling shareholders of subsidiaries	**—**	**53,241**	**53,241**
Due to an associate	**—**	**116,579**	**116,579**
Financial liability included in other non-current liabilities	**616**	**—**	**616**
	1,528	**1,924,527**	**1,926,055**

48. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group — 2011

Financial liabilities

	Financial liabilities at fair value through profit or loss — designated as such upon initial recognition HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade and bills payables	—	354,371	354,371
Financial liabilities included in other payables and accruals	—	304,314	304,314
Interest-bearing bank and other borrowings (note 34)	—	806,263	806,263
Due to non-controlling shareholders of subsidiaries	—	53,241	53,241
Due to an associate	—	140,724	140,724
Financial liability included in other non-current liabilities	472	—	472
	472	1,658,913	1,659,385

Company — **2012**

Financial assets

	Financial assets at fair value through profit or loss — held for trading HK$'000	**Loans and receivables HK$'000**	**Total HK$'000**
Due from subsidiaries (note 18)	—	**1,587,028**	**1,587,028**
Financial assets included in other receivables	—	**743**	**743**
Financial assets at fair value through profit or loss	**16,808**	—	**16,808**
Cash and bank balances	—	**543**	**543**
	16,808	**1,588,314**	**1,605,122**

48. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company 2011

Financial assets

	Financial assets at fair value through profit or loss — held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Due from subsidiaries (note 18)	—	1,433,935	1,433,935
Financial assets included in other receivables	—	658	658
Financial assets at fair value through profit or loss	6,228	—	6,228
Cash and bank balances	—	3,465	3,465
	6,228	1,438,058	1,444,286

Company **2012**

Financial liabilities

	Financial liabilities at fair value through profit or loss — designated as such upon initial recognition HK$'000	**Financial liabilities at amortised cost HK$'000**	**Total HK$'000**
Interest-bearing bank borrowings	**—**	**382,500**	**382,500**
Due to subsidiaries (note 18)	**—**	**1,331,704**	**1,331,704**
Financial liabilities included in other payables	**912**	**1,750**	**2,662**
Other non-current liabilities	**616**	**—**	**616**
	1,528	**1,715,954**	**1,717,482**

48. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

Financial liabilities

2011	Financial liabilities at fair value through profit or loss — designated as such upon initial recognition HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Interest-bearing bank borrowings	—	150,000	150,000
Due to subsidiaries (note 18)	—	1,377,828	1,377,828
Financial liabilities included in other payables	—	1,694	1,694
Other non-current liabilities	472	—	472
	472	1,529,522	1,529,994

49. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2012 and 2011, respectively.

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

Fair value hierarchy

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

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

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

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

As at 31 December 2012 and 2011, the financial instruments measured at fair value held by the Group were classified as Level 1.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

	Group	
	Change in basis point	**Change in profit before tax** HK$'000
2012		
Hong Kong dollar	**50**	**4,396**
RMB	**50**	**952**
2011		
Hong Kong dollar	50	3,199
RMB	50	798

Foreign currency risk

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

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

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

Foreign currency risk *(Continued)*

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

	Group	
	Change in foreign exchange rate	**Increase/ (decrease) in profit before tax**
	%	HK$'000
2012		
If Hong Kong dollar weakens against:		
RMB	**5**	**(10,510)**
If Hong Kong dollar strengthens against:		
RMB	**5**	**10,510**
2011		
If Hong Kong dollar weakens against:		
RMB	5	(11,472)
If Hong Kong dollar strengthens against:		
RMB	5	11,472

Credit risk

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

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

At the end of the reporting period, the Group had certain concentrations of credit risk as 64% (2011: 66%) of the Group's trade receivables were due from the Group's five largest customers within the trading and manufacturing segment.

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

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other interest-bearing loans.

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

Group	**2012**			
	Within 1 year or on demand HK$'000	**More than 1 year but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total HK$'000**
Trade and bills payables	**237,851**	**—**	**—**	**237,851**
Other payables	**303,899**	**—**	**—**	**303,899**
Interest-bearing bank and other borrowings	**1,032,177**	**208,924**	**—**	**1,241,101**
Due to non-controlling shareholders of subsidiaries	**21,390**	**31,851**	**—**	**53,241**
Due to an associate	**2,367**	**121,313**	**—**	**123,680**
Financial liability included in other non-current liabilities	**—**	**616**	**—**	**616**
	1,597,684	**362,704**	**—**	**1,960,388**

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

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

Liquidity risk *(Continued)*

Company

		2012	
	Within 1 year or on demand HK$'000	**More than 1 year but less than 5 years HK$'000**	**Total HK$'000**
Interest-bearing bank borrowings	**337,617**	**54,632**	**392,249**
Due to subsidiaries (note 18)	**—**	**1,331,704**	**1,331,704**
Other payables	**2,662**	**—**	**2,662**
Other non-current liabilities	**—**	**616**	**616**
	340,279	**1,386,952**	**1,727,231**

Company

		2011	
	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	153,701	—	153,701
Due to subsidiaries (note 18)	—	1,377,828	1,377,828
Other payables	1,694	—	1,694
Other non-current liabilities	—	472	472
	155,395	1,378,300	1,533,695

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

Equity price risk

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

	31 December 2012	**High/low 2012**	31 December 2011	High/low 2011
Hong Kong — Hang Seng Index	**22,657**	**22,719/ 18,056**	18,434	24,468/ 16,170

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments HK$'000	**Change in profit before tax** HK$'000
2012		
Investments held for trading listed in:		
Hong Kong	**36,736**	**3,674**
Mainland China	**1,353**	**135**
2011		
Investments held for trading listed in:		
Hong Kong	25,520	2,552
Mainland China	1,365	137

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2012 and 31 December 2011.

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

	Group	
	2012 **HK$'000**	2011 HK$'000 (Restated)
Interest-bearing bank and other borrowings	**1,213,869**	806,263
Less: Cash and bank balances	**(253,874)**	(427,980)
Net debt	**959,995**	378,283
Capital	**3,124,749**	2,800,710
Capital and net debt	**4,084,744**	3,178,993
Gearing ratio	**23.5%**	11.9%

51. EVENT AFTER THE REPORTING PERIOD

On 17 January 2013, the Company announced that the acquisition of the entire issued share capital of Splendor Sheen Limited (the "Acquisition") from a direct wholly-owned subsidiary of South China Land Limited ("SCL") (the "Vendor") by an indirect wholly-owned subsidiary of the Company (the "Purchaser") was completed on 16 January 2013. SCL and the Company are ultimately controlled by the substantial shareholder of the Company. Details of the Acquisition were disclosed in the announcement and circular of the Company dated 12 July 2012 and 19 October 2012 respectively. Pursuant to the sale and purchase agreement (the "Agreement") for the Acquisition, purchase consideration was paid by installments. As at 31 December 2012, payments for the purchase consideration were amounted to HK$249,438,000 in aggregate. Upon completion of the Acquisition, 1,770,710,526 redeemable convertible preference shares issued at HK$0.57 per share were allotted to the Vendor and the remaining balance of the cash consideration was settled pursuant to the Agreement.

52. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2011 has been presented.

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2013.

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2012 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Beat Time Enterprises Limited	British Virgin Islands ("BVI")	US$1	100%	Investment holding
Bewise Developments Limited	BVI	US$1	100%	Investment holding
重慶華慶農林發展有限公司 (note d)	The PRC/Mainland China	RMB20,000,000	100%	Forestry
Copthorne Holdings Corp.	Republic of Panama/Hong Kong	US$200	100%	Property investment
Eastand Investments Limited	Hong Kong	HK$2	100%	Investment holding
Everwin Toys (Dongguan) Co., Ltd (note d)	The PRC/Mainland China	HK$63,500,000	100%	Manufacturing of toys
Full Grown Limited	BVI	US$1	100%	Investment holding
Guang Dong Huaxin Fruit Development Co. Ltd. (note d)	The PRC/Mainland China	US$7,500,000	100%	Fruit plantation
Hong Kong Nority Development Limited	BVI	US$2	100%	Property holding

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Lion Strength Group Limited	BVI	US$1	100%	Investment holding
Micon Limited	Hong Kong	HK$2	100%	Investment holding
Nanjing South China Dafang Electric Co., Ltd (note c)	The PRC/Mainland China	RMB77,550,000	93.63%	Property investment
Nanjing South China Huaguan Compressor Ltd. (note c)	The PRC/Mainland China	RMB61,230,000	100%	Property investment
Nanjing South China Sanda Motor Co. Ltd. (note c)	The PRC/Mainland China	RMB18,940,000	100%	Property investment
Nanjing South China Santa Machinery Co., Ltd. (note c)	The PRC/Mainland China	RMB54,900,000	92.65%	Property investment
南京液壓件二廠有限公司 (note c)	The PRC/Mainland China	RMB2,345,600	85%	Property investment
南京第二壓縮機有限公司 (note d)	The PRC/Mainland China	RMB16,756,800	100%	Property investment
南京電機有限公司 (note d)	The PRC/Mainland China	RMB25,261,300	100%	Property investment
南京微分電機有限公司 (note c)	The PRC/Mainland China	RMB29,035,500	87%	Property investment
Prime Prospects Limited	Hong Kong	HK$100,000	70%	Property investment
Proleap Limited	BVI	US$1	100%	Investment holding
Rich Dynamics Limited	BVI	US$1	100%	Investment holding
Right Focus Developments Limited	BVI	US$1	100%	Investment holding
陝西泰添農林發展有限公司 (note d)	The PRC/Mainland China	HK$1,000,000	100%	Woods and crops plantation
瀋陽華瑞農林綜合開發有限公司 (note d)	The PRC/Mainland China	US$2,100,000	100%	Woods and crops plantation
Shineway Footwear Limited	Hong Kong	HK$500,000	100%	Trading of shoes
Sino Pioneer International Limited	BVI	US$1	100%	Investment holding

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Soncastle Investments Limited	BVI	US$1	100%	Investment holding
South China Industries (BVI) Limited (note a)	BVI	US$1,000	100%	Investment holding
South China Shoes Products Company Limited	Hong Kong	HK$500,000	100%	Trading of footwear products
South China Strategic (BVI) Limited	BVI	US$1	100%	Investment holding
South China Strategic Limited	Hong Kong	HK$308,593,789	100%	Investment holding
South China Strategic Properties (BVI) Limited	BVI	US$1	100%	Property investment
South China Strategic Property Development Limited	Hong Kong	HK$5,000,000	100%	Property development and investment holding
Spark-Inn Investments Limited	Hong Kong	HK$2	100%	Property investment
Spring Joy Industrial Limited	BVI	US$1	100%	Investment holding
Strategic Finance Limited	Hong Kong	HK$2	100%	Provision of financing services
泰美華升(惠州)電子有限公司 (note d)	The PRC/Mainland China	US$1,500,000	70%	Manufacturing and trading of electronic products
Tianjin South China Leather Chemical Products Co. Ltd. (note c)	The PRC/Mainland China	RMB20,516,500	80%	Manufacturing of leather chemical products
Tianjin South China Leesheng Sporting Goods Co. Ltd. (note c)	The PRC/Mainland China	RMB10,213,600	80%	Manufacturing of sports products
Tianjin South China Shoes Products Co. Ltd. (note c)	The PRC/Mainland China	RMB36,100,200	80%	Manufacturing and trading of footwear products
Transmart Company Limited	Hong Kong	HK$2	100%	Investment holding

54. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Truth Resources Limited	BVI	US$1,000	100%	Investment holding
Wahheng Toys (Shenzhen) Co., Ltd (note d)	The PRC/Mainland China	US$8,000,000	100%	Manufacturing of toys
Wah Shing (BVI) Limited	BVI	US$1,000	100%	Investment holding
Wah Shing Electronics Company Limited	Hong Kong/Mainland China	HK$571,500	70%	Manufacturing and trading of toys
Wah Shing International Holdings Limited	Bermuda	HK$54,432,000	100%	Investment holding
Wah Shing Toys Company Limited	Hong Kong	HK$2 ordinary and HK$3,020,002 Non-voting deferred (note b)	100%	Trading of toys
Welbeck Holdings Limited	BVI	US$1	100%	Investment holding
WTS International (BVI) Limited	BVI	US$1	100%	Investment holding
Wuhan Huafeng Agricultural Development Company Limited (note d)	The PRC/Mainland China	RMB6,000,000	100%	Forestry

Notes:

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

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

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

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

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

55. PARTICULARS OF THE PRINCIPAL ASSOCIATE

Particulars of the principal associate at 31 December 2012 are as follows:

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

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

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

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

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

Summary of Financial Information

31 December 2012

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

RESULTS

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
REVENUE	**2,352,826**	3,097,990	2,648,673	1,893,080	1,934,033
PROFIT BEFORE TAX	**351,098**	346,227	473,157	421,213	77,140
INCOME TAX	**(25,269)**	(29,824)	(18,766)	(19,380)	(13,212)
PROFIT FOR THE YEAR	**325,829**	316,403	454,391	401,833	63,928
ATTRIBUTABLE TO:					
Owners of the Company	**318,676**	300,740	442,816	407,440	75,614
Non-controlling interests	**7,153**	15,663	11,575	(5,607)	(11,686)
	325,829	316,403	454,391	401,833	63,928

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
TOTAL ASSETS	**5,483,108**	4,870,301	4,062,724	3,488,535	3,644,775
TOTAL LIABILITIES	**(2,358,359)**	(2,069,591)	(1,622,540)	(1,535,341)	(1,661,742)
NON-CONTROLLING INTERESTS	**(124,925)**	(117,567)	(97,721)	(86,415)	(135,808)
	2,999,824	2,683,143	2,342,463	1,866,779	1,847,225

Details of Properties

A. INVESTMENT PROPERTIES

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

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(1)	**Hong Kong** *(Continued)*		
	Units A, B and C on 7th Floor and the three lavatories thereof Century House Nos. 3–4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
	Unit A, B and C on 8th Floor and the three lavatories thereof Century House Nos. 3-4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
	Units B and C on 9th Floor and the two lavatories thereof Century House Nos. 3–4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
	Unit No. 1022 on 10th Floor, Nan Fung Centre Nos. 264–298 Castle Peak Road and Nos. 64–98 Sai Lau Kok Road Tsuen Wan New Territories Hong Kong	100%	Commercial
	The Whole of 4th Floor McDonald's Building Nos. 46–54 Yee Wo Street Causeway Bay Hong Kong	100%	Commercial

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(2)	**Mainland China**		
	Various buildings and a land parcel located at No. 28 Yunan North Road No. 2 Shi Zi Qiao Gulou District Nanjing City Jiangsu Province The PRC	87%	Commercial
	A building and a land parcel located at No. 32 Shi Zi Qiao Gulou District Nanjing City Jiangsu Province The PRC	87%	Commercial
	Various buildings and two land parcels located at No. 36 Zhe Fang Road Baixia District Nanjing City Jiangsu Province The PRC	87%	Commercial
	Various buildings erected upon a land parcel located at No. 855 Yingtian Da Jie (formerly No. 166 Yingtian West Road) Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial
	4th Floor No. 64 Ertiao Lane Baixia District Nanjing City Jiangsu Province The PRC	100%	Commercial
	Various buildings and two land parcels located at No. 104 & 160 Fenghuang East Road Luhe District Nanjing City Jiangsu Province The PRC	100%	Commercial
	Various buildings and a land parcel located at No. 262 Yuhua West Road Yuhuatai District Nanjing City Jiangsu Province The PRC	100%	Commercial

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(2)	**Mainland China** *(Continued)*		
	Various buildings and a land parcel located at No. 160 Honghua Village Qinhuai District Nanjing City Jiangsu Province The PRC	92.65%	Commercial
	A building and land parcel located at No. 2 Tuoyuan, Nanhu Street Jianye District Nanjing City Jiangsu Province The PRC	92.65%	Commercial
	A land parcel located at No. 292 Sheng Zhou Road Jianye District Nanjing City Jiangsu Province The PRC	85%	Commercial
	Various buildings erected upon a land parcel located at No. 292 Sheng Zhou Road Jianye District Nanjing City Jiangsu Province The PRC	92.65%	Commercial
	Various buildings and a land parcel located at Zhetang Town Industrial Park Lishui County Nanjing City Jiangsu Province The PRC	85%	Industrial
	Various buildings and a land parcel located at 462 Da Gu Nan Road Hexi District Tianjin City The PRC	100%	Commercial

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(2)	**Mainland China** *(Continued)*		
	Various buildings and a land parcel located at 51 Suti Road Nankai District Tianjin City The PRC	100%	Commercial/ Industrial
	Various buildings erected upon a land parcel located at San Le Road South Dianshanhu Town Kunshan City Jiangsu Province The PRC	100%	Industrial
	Unit C, 15th Floor World Trade Plaza No. 71 Wusi Road Fuzhou City Fujian Province The PRC	100%	Commercial
	Industrial buildings located at Xiaobian Administrative Zone Industrial District No. 4 Changan Town Dougguan City Guangdong Province The PRC	100%	Industrial

B. INVESTMENT PROPERTIES PRESENTED AS NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Location	Gross floor area	Group's interest	Existing use
(1)	**Hong Kong**			
	The 1st floor and 2nd floor On Lok Yuen Building and the four lavatories thereof Nos. 25, 27 & 27A Des Voeux Road Central Hong Kong	4,844 sq.ft.*	100%	Commercial
	Unit A and B, Ground Floor Cheung Wah Industrial Building Nos. 10–12 Shipyard Lane Quarry Bay Hong Kong	11,897 sq.ft.	100%	Commercial and industrial
	Unit No. 78 on 2nd Floor Units Nos. 4, 5, 6, 7 and 8 on 3rd floor Houston Centre No. 63 Mody Road Tsim Sha Tsui Kowloon Hong Kong	11,947 sq.ft.	100%	Commercial
	Ground Floor to 5th Floor (The Whole Block) Nos. 18–20 Ming Fung Street Wong Tai Sin Kowloon Hong Kong	6,060 sq.ft.*	100%	Residential/ commercial
	Units J and L on 2nd Floor Private Car Parking Space Nos. G20 and G22 and Lorry Parking Space Nos. L3 and L4 on Ground Floor Kaiser Estate 2nd Phase Nos. 47–53 Man Yue Street Nos. 20–28 Man Lok Street Hunghom, Kowloon, Hong Kong	17,750 sq.ft.	100%	Industrial and carparking

* being saleable area

	Location	Gross floor area	Group's interest	Existing use
(2)	**Taiwan**			
	Unit 2 on Level 15 Unit 1 on Level 24 and portion of Basement Level 2 No. 303 Zhong Ming Road South West District, Taichung City Taiwan	7,211 sq.ft.	100%	Commercial