South China (China) Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 413

Annual Report 2013

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

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
(*Chairman of the Committee*)
Mr. Chiu Sin Chun
Mrs. Tse Wong Siu Yin Elizabeth
Mr. Yip Dicky Peter, J.P.

REMUNERATION & NOMINATION COMMITTEE

Mrs. Tse Wong Siu Yin Elizabeth
(*Chairman of the Committee*)
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
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 2013.

FINANCIAL SUMMARY

The Group recorded revenue of HK$3.0 billion and profit after tax of HK$283.6 million for the year ended 31 December 2013, representing an increase of 28.0% and a decrease of 17.8%, respectively, from the corresponding amounts reported in 2012.

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 2013 (2012: 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 a 29.9% increase in revenue to HK$2.9 billion and a 77.9% increase in operating profit to HK$66.1 million for the year ended 31 December 2013.

The toys operations and the shoes operations reported an increase in revenue by 29.6% and 33.4%, respectively, in 2013. This revealed a sign of economic recovery in the U.S. although the economy has been sluggish in prior years and the recovery process takes time. The increase in revenue of the toys operations in the current year mainly reflects the increase in revenue from new models. As compared with the corresponding period in prior year, South China Shoes recorded a considerable growth in revenue from a U.S. customer of branded work-boots, with whom we started the business in 2011 second half, in the current year.

Wah Shing Toys reported the record high revenue in 2013. Although the 30.6% increase in revenue to HK$2.3 billion in 2013 resulted in an increase in gross margin in dollar term, the improvement in gross margin percentage from last year, however, was not significant. Wah Shing Toys entered into a lease agreement in respect of a factory premise in Humen Town, Dongguan City in late 2012 and incurred setup, testing and trial run costs for this new production facility in the current year. The new production facility at Humen Town, which commenced operation in March 2013, was filled by the newly hired workers, and has not operated in its optimum capacity and efficiency at its start-up stage. The increase in number of new models in 2013 also lowered the production efficiency to some extent at the beginning of the product life spans. Besides, the increase in minimum wages squeezed the profit margin further. These have hindered the improvement in gross margin percentage that may come along with a larger production scale. In addition to the above, the increase in sales and, hence, operation scale in 2013 also resulted in an increase in selling expenses and certain operating and administrative costs. Despite the challenges on the cost side, Wah Shing Toys recorded a 85.2% increase in operating profit in 2013.

Although Wah Shing Electronics recorded a 19.8% increase in revenue to HK$212.0 million in 2013, its operating loss increased further in 2013 in the face of the rising labour costs and inefficiency in production of the new models.

South China Shoes recorded a 33.4% increase in revenue to HK$297.8 million in 2013. The revenue growth of South China Shoes in 2013 came with an increase in the number of new models, which were not produced at the optimum efficiency in their initial production, in particular the branded products which carried higher quality and workmanship requirements. Despite the significant increase in revenue, gross margin for the reporting period increased by 6.0% only as compared with the prior year amount irrespective to a 33.4% increase in revenue because of the inefficiency in the initial production of such new models. This accompanied by the increase in selling expenses and certain operating and administrative expenses resulted in an operating loss slightly above the amount reported in the prior year.

Given the costs incurred in and the effort exerted on setting up the new production facility and the production of new models in 2013, which will facilitate the production in future, management expected that there will be growth in production capacity in the toys operations and, hence, rooms for further revenue growth and improvement in operating performance for the trading and manufacturing segment.

Property Investment and Development

On 16 January 2013, the Group acquired the entire issued share capital in Splendor Sheen Limited ("Splendor Sheen"), which holds 80% interests in the Avenue of Stars (formerly known as Fortuna Plaza), a shopping mall in Shenyang. The construction work to prepare the newly acquired shopping mall for its intended use is underway. The Avenue of Stars will be positioned as a trendy shopping mall, targeting the youth market. It will be the first shopping mall so positioned in Shenyang.

The property investment and development segment recorded a 3.5% increase in revenue to HK$101.6 million in 2013.

The Avenue of Stars, the shopping mall at Shenyang, was under construction in 2013 for a revamp to suit the intended use of a trendy shopping mall targeting the youth market. The amount of administrative and operating costs recognized for the Avenue of Stars in 2013, when the Avenue of Stars was under construction, decreased as compared with prior year. However, more selling expenses were incurred in 2013 for tenant recruitment. The fair value gain on investment properties (including the investment property under construction) and investment properties held for sale decreased by 57.5% or HK$179.0 million to HK$132.1 million in aggregate.

The 45.8% decrease in the segmental operating profit to HK$184.2 million primarily reflects the result of the factors referred to in the above.

The Group's 30%-owned principal associate that holds The Centrium, a Grade-A commercial building in Central, Hong Kong, generated profit from operation before tax attributable to the Group of HK$37.4 million, representing a decrease of HK$3.0 million as compared with the corresponding period in prior year. The said decrease in 2013 was mainly due to the increase in finance costs in excess of the increase in rental income (after deduction of the increase in direct expenses) attributable to the Group's 30% interests in such associate. The Group's share of fair value gain on the investment property for the year ended 31 December 2013 amounted to HK$223.5 million.

Agriculture and Forestry

In line with the Group's strategy to be one of the active market players in the Mainland's agriculture and forestry industries, we continued our effort in expanding the sites areas of our farmland and woodland gradually. During the year ended 31 December 2013, the Group entered into new leases for approximately 80,000 mu of farmland and woodland in Harbin, Binzhou, Wuhan and Chongqing.

Revenue from the agriculture and forestry segment decreased by 35.6% to HK$17.5 million in 2013 as compared with the corresponding period in 2012. Despite the decrease in revenue in the current reporting period, operating loss before fair value loss on biological assets decreased from HK$81.9 million in 2012 to HK$62.5 million in 2013. The improvement in operating results in the current reporting period is mainly attributable to the decrease in write-off of biological assets due to adverse weather conditions and losses identified in physical count in 2013 and the results of the cost control measures taken to contain the plantation and operating costs. The fair value loss on biological assets increased by 15.9% to HK$14.9 million in 2013 as compared with the corresponding amount in 2012 of HK$12.8 million.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had a current ratio of 1.0 and a gearing ratio of 28.2% (31 December 2012: 1.0 and 15.6% (restated), respectively). The gearing ratio is computed by comparing the Group's long-term bank borrowings of HK$1.3 billion to the Group's equity of HK$4.7 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

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 Group has entered into certain non-delivery foreign exchange forward contracts to mitigate the exchange rate risk.

CAPITAL STRUCTURE

Except for the issuance and partial redemption of the redeemable convertible preference shares as detailed in note 40 to the financial statements, there was no material change in the Group's capital structure as compared to the 2012 annual report.

MATERIAL ACQUISITION AND DISPOSAL

As disclosed in the announcement and circular of the Company dated 12 July 2012 and 19 October 2012, respectively, on 4 July 2012, Even Dragon Limited ("Even Dragon"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Crystal Hub Limited ("Crystal Hub") a direct wholly-owned subsidiary of SCL whereby the Even Dragon conditionally agreed to acquire and Crystal Hub conditionally agreed to sell the sale shares, being the entire issued share capital in Splendor Sheen which holds the 80% interest in the Avenue of Stars (formerly known as Fortuna Plaza) through a subsidiary, 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 South China Land Limited ("SCL") on the date of the sale and purchase agreement whereby the entrusted management agreement was terminated subject to and upon completion of the transaction contemplated under the sale and purchase agreement. The entrusted management agreement was entered into between an indirect wholly-owned subsidiary of the Company as grantee and a direct wholly-owned subsidiary of SCL as grantor in November 2011 whereby the exclusive right to manage the Avenue of Stars as a shopping mall was granted to the grantee at a basic fee of Rmb80 million per annum and, subject to the actual performance of the shopping mall operations, a performance fee determined with reference to net operating profit of the said operations. Further details about the entrusted management agreement were set out in the announcement and circular of the Company dated 2 November 2011 and 19 December 2011, respectively. As disclosed in the announcement of the Company dated 17 January 2013, the acquisition of the entire issued share capital of Splendor Sheen was completed on 16 January 2013.

On 15 August 2013, the Group signed the following agreements with independent third parties:

(a) the letter agreement for the disposal of the entire issued share capital in and the assignment of the loan to Spark-Inn Investments Limited, an indirect wholly-owned subsidiary of the Company holding Factory Unit A on the Ground Floor of Cheung Wah Industrial Building in Hong Kong, at a consideration of HK$121.4 million subject to certain adjustments; and

(b) the provisional agreement for sale and purchase for the disposal of Factory Unit B on the Ground Floor of Cheung Wah Industrial Building in Hong Kong at a consideration of HK$121.4 million.

Details of the above transactions were set out in the Company's announcement dated 15 August 2013. These transactions were completed on 16 October 2013.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2013, a significant portion of the borrowings was for normal trading and investment purposes with the level of borrowings depending on the level of trading and investing activities. The borrowings were secured by certain assets of the Group. Details of the Group's pledges of assets are set out in note 45 to the financial statements.

Details of the Group's contingent liabilities are set out in note 44 to the financial statements.

INVESTMENTS

For the year ended 31 December 2013, available-for-sale financial assets increased from HK$57.4 million to HK$71.7 million and financial assets at fair value through profit and loss increased from HK$38.1 million to HK$65.3 million.

EMPLOYEES

As at 31 December 2013, the total number of employees of the Group was approximately 17,300 (2012: 14,700). Employees' costs (including directors' emoluments) amounted to approximately HK$1,029.0 million for the year ended 31 December 2013 (2012 (restated): HK$783.7 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 and share awards under the share option schemes and the employee's share award scheme adopted by the Company. Details of the share option schemes and the share award scheme are set out in notes 41 and 40 to the financial statements respectively.

PROSPECTS

Trading and Manufacturing

Given the signs of economic recovery in the U.S., which were also revealed by the segmental revenue growth in 2013, management holds a positive view on the revenue growth in 2014.

The Group will continue its effort to expand product range, enlarge customer base and negotiate with customers with a view to reflecting the current costs in product pricing. On the cost improvement side, the Group will continue its effort to ensure that every aspect of its operations is cost effective. Management believed that such effort will bring positive contributions to the bottom line of the segment. To cope with the anticipated growth, Wah Shing Toys has set up a new production facility in Humen Town, Dongguan in the current reporting period. Despite the various costs which Wah Shing Toys has incurred and may incur at the start-up stage of this new plant, management expected that the new plant will bring long term benefits to the toys manufacturing operation.

Given the segmental revenue growth in the current year, which reinforced our view on the U.S. economic recovery, and management's anticipation that the increase in labour and material costs as well as the Renminbi appreciation would be relatively mild in the coming year in view of the slow and unstable economic recovery in the western countries and the market concerns about the sustainability of the high economic growth rate in the PRC, the Group is cautiously optimistic about the performance of the trading and manufacturing segment.

Property Investment and Development

The Group has a property portfolio with total floor area of more than 513,000 square metres in Mainland China and 279,000 square feet in Hong Kong. The investment properties in China are mostly in prime locations, and offer strong redevelopment potential.

The China sourced rental income was mainly generated from the properties in Nanjing. The Group's principal investment properties are located at the prime locations in Nanjing. The properties at Shi Zi Qiao (Lion Bridge), a traditional pedestrian/food street at the Gulou district at the centre of Nanjing, are some of the hidden gems. These shops carry great potential for rental increment on the expiry of the current leases. 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.

The Group also holds a site with 29,000 square metres at Yuhuatai in Nanjing. 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 a great redevelopment potential in the future, and will then fully release its hidden strength and value as good opportunities arise.

The properties in Nanjing, together with the industrial sites in Tianjin and the lychee plantation in Zhengcheng, offer the Group various redevelopment opportunities. The Group will continue to look for redevelopment opportunities for such properties in China in order to maximize their return to shareholders.

Upon completion of the acquisition of the entire issued share capital in Splendor Sheen on 16 January 2013, the Group added to its properties portfolio a shopping mall in Shenyang, namely the Avenue of Stars. Tenant recruitment for the Avenue of Stars, which is currently in progress, takes longer than expected. Management expected that the outstanding construction work will be completed in 2014 first half and targeted to have the shopping mall opened in the second half of 2014. The shopping mall operations will broaden the scope of the property leasing business and widen the rental income stream of the Group, contributing a source of stable cash inflows in the long run.

Management expected that revenue and contribution from the 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 523,000 mu of woodland, farmland, fishpond and lake space in various major provinces in China, and is focusing on the plantation of fruits and crops, such as apple, lychee, winter date, peach, pear and corn, and breeding of livestock, such as pig, for sale. The Group will continue to explore plantation opportunities for high profit margin species and, as desirable opportunities arise, strategically expand its portfolio site area by new land leases.

Management will continue their effort in cost control and efficient resources utilization with a view to containing the costs as they accumulate experience in the industry and unveiling the full potential of the investments in the agriculture and forestry segment.

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, 25 March 2014

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 64, 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. He 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 60, 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 70, 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 33, 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 a 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 64, 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. Mr. Law has been the president of the Institute of Accountants in Management since 2007. He is also an executive director of SCL. Previously, Mr. Law held various positions including an independent non-executive director and the chairman of the audit committee of Guangzhou Automobile Group Company Limited from December 2007 to December 2013, 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. He 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.

NON-EXECUTIVE DIRECTOR

Ms. Ng Yuk Mui Jessica, aged 35, is a Non-executive Director of the Company, SCH and SCL, and the chief executive officer of South China Media Limited. She holds a Bachelor degree in Law from King's College London, University of London in the United Kingdom, and was admitted to the Hong Kong Bar in 2006. Ms. Ng is an associate member of the Chartered Institute of Management Accountants and a member of 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, an Executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Sin Chun, aged 66, is an Independent Non-executive Director and a member of the Audit Committee and the Remuneration and Nomination Committee of the Company. He 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 56, is an Independent Non-executive Director, the chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of the Company. She is also an independent non-executive director of SCH and SCF. Mrs. Tse is 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 44, is an Independent Non-executive Director, the chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. Ms. Li is also a 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 67, 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"); an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. and independent non-executive director of DSG International (Thailand) Public Company Limited, a company listed on the stock exchange of Thailand. 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 2013, he was appointed as a member of Shanghai Committee of the Chinese People's Political Consultative Conference for a second term.

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 Hong Kong Air Cadet Corps. Mr. Yip was appointed as an Independent Non-executive Director of the Company on 10 December 2012.

Dr. Leung Tony Ka Tung, aged 64, is an Independent Non-executive Director of the Company. He is also an independent non-executive director of 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 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 63, is an Independent Non-executive Director of the Company. He is also an independent non-executive director of SCL. Mr. Lau 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 an Independent Non-executive 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 2013.

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 2013 and state of affairs of the Company and the Group at that date are set out in the financial statements on pages 31 to 133 of this Annual Report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: 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 138 of this Annual Report. This summary does not form part of the audited financial statements.

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

Details of movements in the property, plant and equipment, investment properties and investment property under construction and non-current assets classified as held for sale of the Group during the year are set out in notes 14, 15 and 32 to the financial statements, respectively. Further details of the Group's investment properties and investment property under construction and non-current assets classified as held for sale are set out on pages 139 to 144 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 40 and 41 to the financial statements, respectively.

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 THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2013, the trustee of the Company's employees' share award scheme (the "Share Award Scheme") purchased a total of 3,912,000 shares of the Company at an aggregate consideration of approximately HK$2,986,000 pursuant to the terms of the rules and trust deed of the Share Award Scheme. Other than that, the Company did not redeem any of its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") nor did the Company or any of its subsidiaries purchase or sell any such shares during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 42 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2013, 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$825,550,000.

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
Yeung Kwong Sunny (resigned on 20 September 2013)

Non-executive Director:

Ng Yuk Mui Jessica

Independent Non-executive Directors:

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

In accordance with Article 116 of the Articles, Mr. Ng Yuk Fung Peter, Ms. Ng Yuk Mui Jessica, Mr. Chiu Sin Chun and Ms. Li Yuen Yu Alice will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Save as disclosed, all other remaining Directors continue in office.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of the Securities on the Stock Exchange (the "Listing Rules") from each of the Independent Non-executive Directors, namely Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin Elizabeth, Ms. Li Yuen Yu Alice, Mr. Yip Dicky Peter, J.P. and Dr. Leung Tony Ka Tung for the year ended 31 December 2013, Mr. Lau Lai Chiu Patrick for the period between 3 March 2013 and 31 December 2013 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 9 and 12 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 2013, 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, Chapter 571 of the laws of Hong Kong (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO (the "Register of Directors' and Chief Executives' Interests"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

(a) The Company

(i) *Long positions in shares*

Name of Directors	Capacity	Number of ordinary shares	Total number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Ng Hung Sang ("Mr. Ng")	Beneficial owner Interest of spouse Interest of controlled corporations	185,706,917 53,500,000 1,644,076,912 (*Note (a)*)	1,883,283,829	63.01%
Ng Yuk Fung Peter ("Mr. Peter Ng")	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	432,000 (*Note (b)*)	432,000	0.01%

(ii) *Long positions in underlying shares*

Name of Directors	Capacity	Number of underlying ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	26,000,000 (*Note (c)*)	0.87%
Mr. Peter Ng	Beneficial owner	26,000,000 (*Note (c)*)	0.87%
Mr. Law	Beneficial owner	2,088,000 (*Note (d)*)	0.10%

(b) Associated corporation

Long positions in shares

Prime Prospects Limited ("Prime Prospects") (Note (e))

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

Notes:

(a) The 1,644,076,912 shares of the Company held by Mr. Ng through controlled corporations included 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 were all wholly owned by Mr. Ng. Mr. Ng held Worldunity indirectly via South China Holdings Limited ("SCH"), which was owned as to 73.72% by Mr. Ng, while Bannock was a wholly-owned subsidiary of Earntrade which was 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 432,000 shares of the Company held by Mr. Law were the shares awarded to him under the Share Award Scheme. Mr. Law was awarded 216,000 shares and 216,000 shares of the Company on 13 April 2011 and 19 July 2011, respectively, and such award shares were vested on 31 December 2012 and 30 June 2013, respectively.

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

(d) The 2,088,000 underlying shares of the Company held by Mr. Law were the shares awarded to him under the Share Award Scheme. Mr. Law was awarded 520,000 shares and 1,568,000 shares of the Company on 30 March 2012 and 28 March 2013, respectively, with vesting dates ranging from 31 December 2014 to 31 December 2015.

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

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executive of the Company had 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) as recorded in the Register of Directors' and Chief Executives' Interests, 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 options granted were set out in note 41 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 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 applicable terms and conditions of the Share Award Scheme, a sum up to HK$60 million will be used 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 40 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 has beneficial interest are set out in note 48 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 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 2013, the following person/corporations, other than the Directors or the chief executive of the Company, had interests and short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company under Section 336 of the SFO (the "Register of Substantial Shareholders' Interests"):

Long positions in shares

Name of Shareholders	Capacity	Number of ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
Earntrade	Beneficial owner and interest of a 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 was a wholly-owned subsidiary of Earntrade. The 603,535,030 shares of the Company held by Earntrade included 293,515,649 shares held by Bannock directly.

(b) Ms. Ng, who held 53,500,000 shares of the Company beneficially, was the spouse of Mr. Ng, the Chairman and an Executive Director of the Company. By virtue of the SFO, Ms. Ng was 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 2013, no person or corporation, other than the Directors or the chief executive 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" above, had any interests or short positions in the shares or underlying shares of the Company as recorded in the Register of Substantial Shareholders' Interests.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Ng is an executive director and the controlling shareholder of SCH and SCL.

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

Mr. Peter Ng 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 may compete with the businesses of the Group. Accordingly, each of Mr. Ng, Ms. Cheung, Mr. Gorges, Mr. Peter Ng 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 2013, 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.

CHANGE TO INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1), the change to information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) since publication of the Company's latest interim report up to the date of this Annual Report is set out below:

Mr. Law retired as an independent non-executive director of Guangzhou Automobile Group Co., Ltd in the general meeting of the company with effect from 16 December 2013.

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 Corporate Governance Code contained in Appendix 14 of the Listing Rules are set out on pages 23 to 28 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 24 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 48 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 (the "Sale and Purchase Agreement") entered into between Crystal Hub Limited, a subsidiary of SCL, and Even Dragon Limited, a subsidiary of the Company, Crystal Hub Limited had agreed to sell and Even Dragon Limited had agreed to purchase 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 Company's announcement and circular dated 12 July 2012 and 19 October 2012 respectively. As published in the Company's announcement dated 17 January 2013, the Transaction was completed on 16 January 2013.

As at 31 December 2013, Mr. Ng, the Chairman, an Executive Director and a substantial shareholder of the Company, through interest in controlled corporations 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 25 June 2013, the tenancy agreement dated 31 May 2011 between Copthorne Holdings Corp. ("Copthorne"), an indirect wholly-owned subsidiary of the Company, as the landlord and Jessicacode Management Limited ("Jessicacode"), a company indirectly wholly-owned by Mr. Ng, as the tenant for the premises at Unit C, on 3rd Floor of Wah Shing Centre, 5 Fung Yip Street, Chai Wan, Hong Kong was renewed at a monthly rental of HK$27,385 for two years from 1 July 2013 to 30 June 2015. Details of the above transaction were disclosed in the announcement of the Company dated 25 June 2013.

(2) On 29 December 2011, the tenancy agreements dated 15 December 2009 between Copthorne, an indirect wholly-owned subsidiary of the Company, as the landlord and South China Media Management Limited, a company indirectly wholly-owned by Mr. Ng, as the 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.

(3) On 12 December 2011, the tenancy agreements dated 15 December 2009 between First City Limited, an indirect wholly owned subsidiary of the Company, as the landlord and Hong Kong Four Seas Tours Limited ("Four Seas"), an indirect wholly-owned subsidiary of SCH, as the 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 the landlord and Four Seas as the 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 31 May 2011, Copthorne, an indirect wholly-owned subsidiary of the Company, as the landlord entered into a tenancy agreement with Jessicacode, a company indirectly wholly-owned by Mr. Ng, as the 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 above transaction were disclosed in the announcement of the Company dated 31 May 2011.

As at 31 December 2013, Mr. Ng, the Chairman, an Executive Director and a substantial shareholder of the Company, through interest in controlled corporations owned as to 73.72% in SCH.

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

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

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

(2) on normal commercial terms; and

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

The Company's 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 presently comprises four Independent Non-executive Directors, namely, Ms. Li Yuen Yu Alice (Chairman of the Committee), Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin Elizabeth and Mr. Yip Dicky Peter, J.P.

The Group's annual results for the year ended 31 December 2013 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 2013, the sales to the Group's five largest customers accounted for 71.1% of the total sales and the sales to the largest customer included therein amounted to 37.5%. Purchases from the Group's five largest suppliers accounted for 16.6% of the total purchases and purchases from the largest supplier included therein accounted for 4.7% 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

On 18 February 2014, the Company announced that on 17 February 2014, Perennial Success Limited ("Perennial Success"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Crystal Hub, a direct wholly-owned subsidiary of SCL, whereby Perennial Success has conditionally agreed to acquire and Crystal Hub has conditionally agreed to sell 40% of the issued share capital of Elite Empire Investments Limited, an indirect wholly owned subsidiary of SCL holding the interest in a property development project in Shenyang, the People's Republic of China through a wholly owned subsidiary, at a consideration of HK$600 million. Details of the above transaction was set out in the Company's announcement and circular dated 18 February 2014 and 19 March 2014, respectively.

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, 25 March 2014

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 had complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2013.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2013, the Board consisted of 12 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, two additional Executive Directors, one Non-executive Director and six Independent Non-executive Directors. Not less than 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 9 to 12 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. Key and important decisions are fully discussed at board meetings.

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

The Board held four meetings in 2013:

	Attendance
Executive Directors	
Ng Hung Sang (*Chairman*)	2/4
Cheung Choi Ngor (*Vice-chairman and Chief Executive Officer*)	4/4
Richard Howard Gorges (*Vice-chairman*)	4/4
Ng Yuk Fung Peter	4/4
Law Albert Yu Kwan	4/4
Yeung Kwong Sunny (resigned on 20 September 2013)	2/3
Non-executive Director	
Ng Yuk Mui Jessica	4/4
Independent Non-executive Directors	
Chiu Sin Chun	4/4
Tse Wong Siu Yin Elizabeth	4/4
Li Yuen Yu Alice	4/4
Yip Dicky Peter	4/4
Leung Tony Ka Tung	4/4
Lau Lai Chiu Patrick (appointed on 3 March 2013)	4/4

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 of Association of the Company. The Company Secretary ensures that the procedures and all applicable rules and regulations are complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any time on reasonable notice by any Director.

Directors 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 its code of conduct regarding the directors' securities transactions. In addition, the Board has established similar guidelines for relevant employees who are likely to possess inside 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 set out in the Mode Code regarding securities transactions by Directors throughout the year ended 31 December 2013.

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 (the "IA Team").

Based on the assessment of risk exposure, the IA Team formulates audit plans periodically 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 the purchasing of raw materials and the control over payments 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 THE 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 pages 29 and 30 of this Annual Report.

AUDITORS' REMUNERATION

For the year ended 31 December 2013, the Auditors of the Company received approximately HK$2,850,000 for audit services and approximately HK$6,000 for non-audit services provided to the Company. The non-audit service was to review and report on the continuing connected transactions of the Group.

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.

During the year 2013, the Directors participated in the following trainings:

	Type of trainings	
	Attending Seminars	Reading Materials and Updates
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	✓	✓
Yeung Kwong Sunny (resigned on 20 September 2013)		✓
Non-executive Director		
Ng Yuk Mui Jessica		✓
Independent Non-executive Directors		
Chiu Sin Chun		✓
Tse Wong Siu Yin Elizabeth	✓	✓
Li Yuen Yu Alice		✓
Yip Dicky Peter		✓
Leung Tony Ka Tung		✓
Lau Lai Chiu Patrick (appointed on 3 March 2013)		✓

AUDIT COMMITTEE

The Audit Committee consists of four Independent Non-executive Directors, namely Ms. Li Yuen Yu Alice (Chairman of the Committee), 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 2013 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	3/3

The Audit Committee reviewed the Group's annual results for the year ended 31 December 2013, the internal control system and the corporate governance policy.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee performs both remuneration and nomination functions under the CG Code. It consists of four Independent Non-executive Directors, namely Mrs. Tse Wong Siu Yin Elizabeth (Chairman of the Committee), 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 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 2013 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	1/1

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 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 held on 4 June 2013 is set out below:

Executive Directors	
Ng Hung Sang (*Chairman*)	✓
Cheung Choi Ngor (*Vice-chairman and Chief Executive Officer*)	✓
Richard Howard Gorges (*Vice-chairman*)	✓
Ng Yuk Fung Peter	X
Law Albert Yu Kwan	✓
Yeung Kwong Sunny (resigned on 20 September 2013)	X
Non-executive Director	
Ng Yuk Mui Jessica	X
Independent Non-executive Directors	
Chiu Sin Chun	X
Tse Wong Siu Yin Elizabeth	✓
Li Yuen Yu Alice	✓
Yip Dicky Peter	✓
Leung Tony Ka Tung	✓
Lau Lai Chiu Patrick (appointed on 3 March 2013)	✓

Independent Auditors' Report

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 31 to 133, which comprise the consolidated and Company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of 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 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

25 March 2014

Consolidated Statement of Profit or Loss

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
REVENUE	4&5	**3,013,518**	2,354,199
Cost of sales		**(2,630,038)**	(2,048,978)
Gross profit		**383,480**	305,221
Other income and gains, net	5	**52,015**	29,285
Fair value gain on investment properties inclusive of investment property under construction and investment properties presented as non-current assets classified as held for sale		**132,156**	311,129
Fair value loss on biological assets	20	**(14,890)**	(12,845)
Fair value gain on financial assets at fair value through profit or loss		**22,522**	3,156
Fair value gain on foreign exchange forward contracts		**3,421**	1,464
Gain on disposal of an investment property presented as non-current assets classified as held for sale		**2,270**	16
Write-off of biological assets	20	**(24,217)**	(39,814)
Selling and distribution expenses		**(61,375)**	(47,358)
Administrative expenses		**(379,292)**	(351,088)
Equity-settled share award expense		**(2,500)**	(3,223)
		113,590	195,943
Finance costs	7	**(51,336)**	(84,821)
Share of profits and losses of associates		**254,905**	269,837
Impairment of advances to an associate	19	**(60)**	(80)
PROFIT BEFORE TAX	6	**317,099**	380,879
Income tax expense	10	**(33,481)**	(36,053)
PROFIT FOR THE YEAR		**283,618**	344,826
Attributable to:			
Owners of the Company		**285,604**	329,070
Non-controlling interests		**(1,986)**	15,756
		283,618	344,826
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic		**HK9.7 cents**	HK11.1 cents
Diluted		**HK6.4 cents**	HK11.0 cents

As detailed in note 12 to the financial statements, there was no dividend declared or recommended for the year ended 31 December 2013.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2013

	2013 HK$'000	2012 HK$'000 (Restated)
PROFIT FOR THE YEAR	**283,618**	344,826
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets:		
Change in fair value	**15,997**	11,415
Reclassification adjustment for gain on disposal included in the consolidated statement of profit or loss	**(1,114)**	—
	14,883	11,415
Reclassification adjustment for exchange reserve realised on deregistration of subsidiaries	**1,227**	—
Exchange differences on translation of foreign operations	**122,242**	(1,470)
Share of other comprehensive income of associates	**435**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**138,787**	9,945
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**422,405**	354,771
Attributable to:		
Owners of the Company	**404,405**	338,650
Non-controlling interests	**18,000**	16,121
	422,405	354,771

Consolidated Statement of Financial Position

31 December 2013

	Notes	**31 December 2013 HK$'000**	31 December 2012 HK$'000 (Restated)	1 January 2012 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**242,424**	225,121	218,893
Investment properties	15	**1,765,795**	1,726,378	1,648,393
Investment property under construction	15	**3,162,809**	3,019,473	2,975,087
Prepaid land lease payments	16	**90,559**	87,829	90,000
Construction in progress	17	**127,770**	116,326	84,711
Investments in associates	19	**1,348,694**	1,124,854	892,232
Biological assets	20	**123,962**	137,784	155,625
Available-for-sale financial assets	21	**71,689**	57,381	45,987
Other non-current assets		**15,638**	16,666	16,666
Trade receivable, prepayments and deposits	22	**18,967**	18,777	30,119
Goodwill	23	**3,219**	3,152	3,152
Total non-current assets		**6,971,526**	6,533,741	6,160,865
CURRENT ASSETS				
Inventories	24	**405,875**	341,396	346,537
Trade receivables	25	**272,180**	185,958	252,657
Prepayments, deposits and other receivables	26	**128,324**	311,765	223,888
Financial assets at fair value through profit or loss	27	**65,271**	38,089	26,885
Foreign exchange forward contracts	28	**14,617**	1,464	—
Due from non-controlling shareholders of subsidiaries	29	**41,999**	35,218	35,428
Due from an affiliate	30	**78,000**	78,000	78,000
Tax recoverable		**20,459**	20,222	14,530
Cash and bank balances	31	**391,744**	255,837	430,272
		1,418,469	1,267,949	1,408,197
Non-current assets classified as held for sale	32	**449,069**	497,424	331,990
Total current assets		**1,867,538**	1,765,373	1,740,187
CURRENT LIABILITIES				
Trade and bills payables	33	**353,155**	238,011	431,902
Other payables and accruals	34	**416,678**	396,457	367,886
Interest-bearing bank borrowings	35	**991,136**	1,046,148	750,114
Due to a non-controlling shareholder of subsidiaries	36	**23,438**	21,390	21,390
Tax payable		**36,334**	35,462	40,860
Total current liabilities		**1,820,741**	1,737,468	1,612,152
NET CURRENT ASSETS		**46,797**	27,905	128,035
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,018,323**	6,561,646	6,288,900

Consolidated Statement of Financial Position

31 December 2013

	Notes	**31 December 2013 HK$'000**	31 December 2012 HK$'000 (Restated)	1 January 2012 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	35	**1,314,925**	748,791	649,281
Advances from non-controlling shareholders of subsidiaries	37	**33,047**	31,851	31,851
Due to an associate	19	**105,948**	116,579	140,724
Other non-current liabilities	38	**89,742**	89,628	90,410
Deferred tax liabilities	39	**810,854**	766,985	737,960
Total non-current liabilities		**2,354,516**	1,753,834	1,650,226
Net assets		**4,663,807**	4,807,812	4,638,674
EQUITY				
Equity attributable to owners of the Company				
Issued capital	40	**86,832**	59,773	59,773
Reserves	42(a)	**4,093,219**	3,912,945	3,760,173
		4,180,051	3,972,718	3,819,946
Non-controlling interests		**483,756**	835,094	818,728
Total equity		**4,663,807**	4,807,812	4,638,674

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

		Attributable to owners of the Company																
	Notes	Issued capital -ordinary shares 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	2,283,364	2,683,143	117,567	2,800,710
Adjusted for common control combination		—	—	—	—	396,098	—	—	—	—	—	—	73,403	667,302	1,136,803	701,161	1,837,964
As restated		59,773	6,724	33,389	223	382,373	68,040	27,798	10,965	(10,751)	53,921	(3,067)	239,892	2,950,666	3,819,946	818,728	4,638,674
Profit for the year (as restated)		—	—	—	—	—	—	—	—	—	—	—	—	329,070	329,070	15,756	344,826
Other comprehensive income for the year:																	
Change in fair value of available-for-sale financial assets	21	—	—	—	—	—	—	11,415	—	—	—	—	—	—	11,415	—	11,415
Exchange differences on translation of foreign operations (as restated)		—	—	—	—	—	—	—	—	—	—	—	(1,835)	—	(1,835)	365	(1,470)
Total comprehensive income for the year (as restated)		—	—	—	—	—	—	11,415	—	—	—	—	(1,835)	329,070	338,650	16,121	354,771
Increase in loans from the parent of the vendor subject to waiver in the common control combination (as restated)		—	—	—	—	74,667	—	—	—	—	—	—	—	—	74,667	—	74,667
Deposit paid for common control combination under merger accounting		—	—	—	—	(249,438)	—	—	—	—	—	—	—	—	(249,438)	—	(249,438)
Capital contribution from a non-controlling shareholder of a subsidiary		—	—	—	—	—	—	—	—	—	—	—	—	—	—	245	245
Shares purchased for Share Award Scheme	40	—	—	—	—	—	—	—	—	(12,719)	—	—	—	—	(12,719)	—	(12,719)
Vesting of shares awarded under Share Award Scheme	40	—	—	—	—	—	—	—	—	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 (as restated)		59,773	6,724*	33,389*	223*	207,602*	68,040*	39,213*	10,965*	(22,650)*	51,999*	(3,067)*	238,057*	3,282,450*	3,972,718	835,094	4,807,812

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

		Attributable to owners of the Company																
		Issued capital																
	Notes	Ordinary shares HK$'000	Redeemable convertible preference shares HK$'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 2013																		
As previously reported		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
Adjusted for common control combination**		—	—	—	—	—	221,327	—	—	—	—	—	—	73,871	677,696	972,894	710,169	1,683,063
As restated		59,773	—	6,724	33,389	223	207,602	68,040	39,213	10,965	(22,650)	51,999	(3,067)	238,057	3,282,450	3,972,718	835,094	4,807,812
Profit for the year		—	—	—	—	—	—	—	—	—	—	—	—	—	285,604	285,604	(1,986)	283,618
Other comprehensive income for the year:																		
Reclassification adjustment for available-for-sale financial assets revaluation reserve realised on disposal of available-for-sale financial assets	5	—	—	—	—	—	—	—	(1,114)	—	—	—	—	—	—	(1,114)	—	(1,114)
Change in fair value of available-for-sale financial assets	21	—	—	—	—	—	—	—	15,997	—	—	—	—	—	—	15,997	—	15,997
Reclassification adjustment for exchange reserve realised on deregistration of subsidiaries	5	—	—	—	—	—	—	—	—	—	—	—	—	1,227	—	1,227	—	1,227
Exchange differences on translation of foreign operations		—	—	—	—	—	—	—	—	—	—	—	—	102,256	—	102,256	19,986	122,242
Share of other comprehensive income of associates		—	—	—	—	—	—	—	—	—	—	—	—	435	—	435	—	435
Total comprehensive income for the year		—	—	—	—	—	—	—	14,883	—	—	—	—	103,918	285,604	404,405	18,000	422,405
Issuance of redeemable convertible preference shares**	40&42	—	35,414	973,891	—	—	—	—	—	—	—	—	—	—	—	1,009,305	—	1,009,305
Redemption of redeemable convertible preference shares	40&42	—	(8,355)	(229,773)	—	—	—	—	—	—	—	—	—	—	—	(238,128)	—	(238,128)
Increase in loans from the parent of the vendor subject to waiver in the common control combination		—	—	—	—	—	4,001	—	—	—	—	—	—	—	—	4,001	—	4,001
Deemed acquisition of non-controlling interests under merger accounting	18	—	—	—	—	—	—	—	—	—	—	—	—	36,302	333,036	369,338	(369,338)	—
Balance of consideration for the common control contribution under merger accounting**		—	—	—	—	—	(1,339,867)	—	—	—	—	—	—	—	—	(1,339,867)	—	(1,339,867)
Waiver of loans from the vendor, previously the loans from the parent of the vendor, in the common control combination**		—	—	—	474,766	—	(474,766)	—	—	—	—	—	—	—	—	—	—	—
Shares purchased for Share Award Scheme	40	—	—	—	—	—	—	—	—	—	(2,986)	—	—	—	—	(2,986)	—	(2,986)
Vesting of shares awarded under Share Award Scheme	40	—	—	—	—	—	—	—	—	—	521	(521)	—	—	—	—	—	—
Transfer of employee share-based compensation reserve upon forfeiture of share options		—	—	—	—	—	—	—	—	—	—	(651)	—	—	651	—	—	—
Recognition of equity-settled share-based compensation: share award		—	—	—	—	—	—	—	—	—	—	1,265	—	—	—	1,265	—	1,265
At 31 December 2013		59,773	27,059	750,842*	508,155*	223*	(1,603,030)*	68,040*	54,096*	10,965*	(25,115)*	52,092*	(3,067)*	378,277*	3,901,741*	4,180,051	483,756	4,663,807

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 and 2013.

The retained profits and exchange fluctuation reserve of the Group include HK$1,319,999,000 (2012: HK$1,096,594,000) and HK$2,222,000 (2012: 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$4,093,219,000 (2012 (restated): HK$3,912,945,000) in the consolidated statement of financial position.

** Further details of the common control combination have been set out in note 2.1.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**317,099**	380,879
Adjustments for:			
Finance costs	7	**51,336**	84,821
Share of profits and losses of associates		**(254,905)**	(269,837)
Interest income	5	**(4,522)**	(6,000)
Gain on disposal of items of property, plant and equipment	5	**(1,122)**	(180)
Gain on disposal of an investment property presented as non-current assets classified as held for sale		**(2,270)**	(16)
Gain on disposal of investment in a subsidiary	5	**—**	(200)
Gain on disposal of available-for-sale financial assets	5	**(1,114)**	—
Gain on disposal of other non-current assets	5	**(8,073)**	—
Gain on disposal of financial assets at fair value through profit or loss	5	**(171)**	—
Loss on disposal of biological assets	5	**719**	—
Loss on deregistration of subsidiaries	5	**1,227**	—
Write-back of trade payables	5	**—**	(1,032)
Write-back of other payables	5	**(1,006)**	(327)
Fair value gain on investment properties inclusive of investment property under construction and investment properties presented as non-current assets classified as held for sale		**(132,156)**	(311,129)
Fair value gain on financial assets at fair value through profit or loss		**(22,522)**	(3,156)
Fair value gain on foreign exchange forward contracts	6	**(21,767)**	(1,464)
Fair value loss on biological assets	20	**14,890**	12,845
Decrease in biological assets due to harvest	6	**955**	722
Equity-settled share award expense	6	**2,500**	3,223
Impairment of advances to an associate	19	**60**	80
Provision/(reversal of provision) for trade receivables, net	5&6	**1,858**	(953)
Impairment of available-for-sale financial assets	5	**—**	21
Write-off of other receivables	6	**2,947**	3,667
Provision/(reversal of provision) for inventories, net	6	**(8,573)**	487
Write-off of biological assets	20	**24,217**	39,814
Depreciation	6	**44,842**	40,735
Amortisation of prepaid land lease payments	6	**23,657**	17,096
		28,106	(9,904)
(Increase)/decrease in inventories		**(55,929)**	5,787
(Increase)/decrease in trade receivables		**(88,934)**	78,992
Decrease/(increase) in prepayments, deposits and other receivables		**190,657**	(104,360)
Increase/(decrease) in trade and bills payables		**112,311**	(192,893)
Increase in other payables and accruals		**11,462**	20,345
Increase in amounts due to non-controlling shareholders of subsidiaries, net		**(5,034)**	216
Severance payment paid		**(3,584)**	(927)
Cash generated from/(used in) operations		**189,055**	(202,744)

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Hong Kong profits tax paid		**(7,826)**	(9,549)
PRC enterprise income tax paid		**(10,194)**	(8,776)
Net cash generated from/(used in) operating activities		**171,035**	(221,069)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(52,052)**	(28,306)
Additions to investment properties and investment property under construction	15(i)&(ii)	**(24,736)**	(4,371)
Additions to prepaid land lease payments	16	**(45,919)**	(30,861)
Additions to and prepayment for construction in progress		**(6,344)**	(45,470)
Additions to biological assets		**(5,786)**	(9,077)
Purchases of financial assets at fair value through profit or loss		**(5,763)**	(8,602)
Advances to an associate		**(60)**	(80)
Interest received		**4,522**	6,000
Proceeds from disposal of financial assets at fair value through profit or loss		**524**	—
Proceeds from disposal of an investment property presented as non-current assets classified as held for sale, net		**115,270**	2,937
Proceeds from disposal of a subsidiary	43	**121,400**	28,000
Proceeds from disposal of available-for-sale financial assets and other non-current assets		**10,790**	—
Proceeds from disposal of biological assets		**6,194**	—
Proceeds from settlement of foreign exchange forward contracts		**8,614**	—
Proceeds from disposal of items of property, plant and equipment		**1,889**	1,510
Partial payment of purchase consideration for acquisition of subsidiaries		**(330,562)**	(249,438)
Dividend income from an associate		**31,500**	37,215
Net cash used in investing activities		**(170,519)**	(300,543)

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**2,129,940**	1,017,344
Repayment of bank loans		**(1,738,458)**	(659,971)
Repayment of amount due to an associate		**(12,900)**	(26,099)
Increase in trust receipt loans		**110,551**	22,494
Interest and other borrowing costs paid		**(127,902)**	(82,903)
Increase in restricted bank deposits	31	**(19,353)**	—
Redemption of redeemable convertible preference shares	40	**(238,128)**	—
Advances from the vendor in the common control combination accounted for by merger accounting		**4,001**	74,667
Capital contribution from a non-controlling shareholder of a subsidiary		**—**	245
Purchase of shares held for Share Award Scheme	40	**(2,986)**	(12,719)
Net cash from financing activities		**104,765**	333,058
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**105,281**	(188,554)
Cash and cash equivalents at beginning of year		**241,715**	429,562
Effect of foreign exchange rate changes, net		**2,972**	707
CASH AND CASH EQUIVALENTS AT END OF YEAR		**349,968**	241,715
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	31	**391,744**	255,837
Less:			
Restricted bank deposits	31	**(19,353)**	—
Bank overdrafts	35	**(22,423)**	(14,122)
Cash and cash equivalents as stated in the statement of cash flows		**349,968**	241,715

Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**3,368,843**	1,823,545
CURRENT ASSETS			
Other receivables	26	**2,738**	743
Financial assets at fair value through profit or loss	27	**28,386**	16,808
Foreign exchange forward contract	28	**3,191**	—
Cash and bank balances	31	**20,154**	543
Total current assets		**54,469**	18,094
CURRENT LIABILITIES			
Other payables	34	**6,482**	2,662
Interest-bearing bank borrowings	35	**155,985**	330,000
Total current liabilities		**162,467**	332,662
NET CURRENT LIABILITIES		**(107,998)**	(314,568)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,260,845**	1,508,977
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	35	**1,038,850**	52,500
Due to subsidiaries	18	**1,333,772**	1,331,704
Other non-current liabilities	38	**956**	616
Total non-current liabilities		**2,373,578**	1,384,820
Net assets		**887,267**	124,157
EQUITY			
Issued capital	40	**86,832**	59,773
Reserves	42(b)	**800,435**	64,384
Total equity		**887,267**	124,157

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 property under construction and investment properties presented as non-current assets classified as held for sale, biological assets, 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 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction.

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

2.1 BASIS OF PREPARATION *(Continued)*

Common control combination

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 on which the relevant combining entities first came under the common control of the controlling shareholder of the Company and the date of the relevant transactions giving rise to such assets or liabilities.

In the announcement of the Company dated 17 January 2013, the Company announced that the acquisition of the entire issued share capital of Splendor Sheen Limited ("Splendor Sheen") from a direct wholly-owned subsidiary of South China Land Limited ("SCL") (the "Vendor") by an indirect wholly-owned subsidiary of the Company (the "Acquisition") at a consideration of HK$1,589,305,000 in aggregate which was satisfied by cash in the sum of HK$580,000,000 and the issuance of redeemable convertible preference shares in the sum of HK$1,009,305,000 to the Vendor was completed on 16 January 2013. The cash consideration was partially settled to the extent of HK$249,438,000 in 2012 and the remaining HK$330,562,000 was settled during the current year. The abovementioned redeemable convertible preference shares were issued upon completion of Acquisition. At the completion date, the Vendor granted a waiver to Splendor Sheen for the amount due to it of HK$474,766,000. The amount so waived by the Vendor was credited to the Group's contributed surplus. The principal asset of Splendor Sheen is its interests in the shopping mall operations in Shenyang held by one of its subsidiaries. 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.

As the Company and the Vendor are ultimately controlled by the aforesaid substantial shareholder, who is also a director of the Company, the Acquisition was regarded as business combination under common control. To consistently apply the Group's accounting policy for common control combination, the Acquisition has been accounted for based on the principles of merger accounting in accordance with AG 5 issued by the HKICPA as if the Acquisition had occurred on the date when the combining entities first came under the control of the substantial shareholder. Accordingly, the assets and liabilities acquired in the common control combination are stated at their carrying amounts as if they had been held or incurred by the Group from the later of the date on which the combining entities first came under the control of the substantial shareholder or the relevant transactions giving rise to the assets or liabilities arose.

2.1 BASIS OF PREPARATION *(Continued)*

Common control combination *(Continued)*

In accordance with AG 5, the comparative amounts of the financial statements of the Group have been restated to include the financial statement items of Splendor Sheen and its subsidiaries (collectively the "Splendor Sheen Group"). The effect of the Acquisition on and, hence, the items so restated in the comparative financial statements are summarised in the tables below:

(a) *Effect of the Acquisition on the consolidated statement of financial position as at 1 January 2012*

	As previously reported HK$'000	Effect of merger accounting on Acquisition of Splendor Sheen Group HK$'000	As restated HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	214,017	4,876	218,893
Investment property under construction	—	2,975,087	2,975,087
Others^	2,966,885	—	2,966,885
Total non-current assets	3,180,902	2,979,963	6,160,865
CURRENT ASSETS			
Trade receivables	252,562	95	252,657
Prepayments, deposits and other receivables	210,670	13,218	223,888
Due from non-controlling shareholders of subsidiaries	245	35,183	35,428
Cash and bank balances	427,980	2,292	430,272
Others^	797,942	—	797,942
Total current assets	1,689,399	50,788	1,740,187
CURRENT LIABILITIES			
Trade and bills payables	354,371	77,531	431,902
Other payables and accruals	339,242	28,644	367,886
Interest-bearing bank borrowings	737,795	12,319	750,114
Others^	62,250	—	62,250
Total current liabilities	1,493,658	118,494	1,612,152
NET CURRENT ASSETS	195,741	(67,706)	128,035
TOTAL ASSETS LESS CURRENT LIABILITIES	3,376,643	2,912,257	6,288,900
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	68,468	580,813	649,281
Deferred tax liabilities	244,480	493,480	737,960
Others^	262,985	—	262,985
Total non-current liabilities	575,933	1,074,293	1,650,226
Net assets	2,800,710	1,837,964	4,638,674
EQUITY			
Exchange fluctuation reserve	166,489	73,403	239,892
Retained profits	2,283,364	667,302	2,950,666
Merger reserve	(13,725)	396,098	382,373
Non-controlling interests	117,567	701,161	818,728
Others ^	247,015	—	247,015
Total equity	2,800,710	1,837,964	4,638,674

2.1 BASIS OF PREPARATION *(Continued)*

Common control combination *(Continued)*

(b) *Effect of the Acquisition on the consolidated statement of financial position as at 31 December 2012*

	As previously reported HK$'000	Effect of merger accounting on Acquisition of Splendor Sheen Group HK$'000	As restated HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	222,630	2,491	225,121
Investment property under construction	—	3,019,473	3,019,473
Trade receivable, prepayments and deposits	268,215	(249,438)	18,777
Others^	3,270,370	—	3,270,370
Total non-current assets	3,761,215	2,772,526	6,533,741
CURRENT ASSETS			
Prepayments, deposits and other receivables	305,067	6,698	311,765
Due from non-controlling shareholders of subsidiaries	399	34,819	35,218
Cash and bank balances	253,874	1,963	255,837
Others^	1,162,553	—	1,162,553
Total current assets	1,721,893	43,480	1,765,373
CURRENT LIABILITIES			
Trade and bills payables	237,851	160	238,011
Other payables and accruals	349,214	47,243	396,457
Interest-bearing bank borrowings	1,015,337	30,811	1,046,148
Others^	56,852	—	56,852
Total current liabilities	1,659,254	78,214	1,737,468
NET CURRENT ASSETS	62,639	(34,734)	27,905
TOTAL ASSETS LESS CURRENT LIABILITIES	3,823,854	2,737,792	6,561,646
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	198,532	550,259	748,791
Deferred tax liabilities	262,515	504,470	766,985
Others^	238,058	—	238,058
Total non-current liabilities	699,105	1,054,729	1,753,834
Net assets	3,124,749	1,683,063	4,807,812
EQUITY			
Exchange fluctuation reserve	164,186	73,871	238,057
Retained profits	2,604,754	677,696	3,282,450
Merger reserve	(13,725)	221,327	207,602
Non-controlling interests	124,925	710,169	835,094
Others^	244,609	—	244,609
Total equity	3,124,749	1,683,063	4,807,812

2.1 BASIS OF PREPARATION *(Continued)*

Common control combination *(Continued)*

(c) *Effect of the Acquisition on the consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 December 2012*

	As previously reported HK$'000	Effect of merger accounting on Acquisition of Splendor Sheen Group HK$'000	Elimination HK$'000	As restated HK$'000
Consolidated statement of profit or loss				
Revenue	2,352,826	48,915	(47,542)	2,354,199
Cost of sales	(2,048,978)	—	—	(2,048,978)
Gross profit	303,848	48,915	(47,542)	305,221
Other income and gains, net	28,645	640	—	29,285
Selling and distribution expenses	(41,467)	(5,891)	—	(47,358)
Administrative expenses	(387,249)	(11,381)	47,542	(351,088)
Fair value gain on investment properties inclusive of investment property under construction and investment properties presented as non-current assets classified as held for sale	267,994	43,135	—	311,129
Others^	(51,246)	—	—	(51,246)
	120,525	75,418	—	195,943
Finance costs	(39,184)	(45,637)	—	(84,821)
Others^	269,757	—	—	269,757
Profit before tax	351,098	29,781	—	380,879
Income tax expense	(25,269)	(10,784)	—	(36,053)
Profit for the year	325,829	18,997	—	344,826
Attributable to:				
Owners of the Company	318,676	10,394	—	329,070
Non-controlling interests	7,153	8,603	—	15,756
	325,829	18,997	—	344,826
Consolidated statement of comprehensive income				
Profit for the year	325,829	18,997	—	344,826
Other comprehensive income/(loss)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(2,343)	873	—	(1,470)
Others^	11,415	—	—	11,415
Other comprehensive income for the year, net of tax	9,072	873	—	9,945
Total comprehensive income for the year	334,901	19,870	—	354,771
Attributable to:				
Owners of the Company	327,788	10,862	—	338,650
Non-controlling interests	7,113	9,008	—	16,121
	334,901	19,870	—	354,771

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Other than as further explained below regarding the impact of HKFRS 12, HKFRS 13 and amendments to HKAS 1, and certain amendments included in *Annual Improvements 2009–2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities 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. Details of the disclosures for subsidiaries and associates are included in notes 18 and 19 to the financial statements.

(b) 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 rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and investment property under construction, biological assets, investment properties presented as non-current assets classified as held for sale and financial instruments are included in notes 15, 20, 32 and 50 to the financial statements.

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

(c) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(d) *Annual Improvements 2009–2011 Cycle* issued in June 2012 sets out amendments to a number of standards. 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 have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- 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.

- 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.

2.3 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 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting* and amendments to HKFRS 9, HKFRS 7 and HKAS 39[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits — Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC) — Int 21	*Levies*[1]
Annual Improvements Project	*Annual Improvements to HKFRSs 2010–2012 Cycle*[2]
Annual Improvements Project	*Annual Improvements to HKFRSs 2011–2013 Cycle*[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

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

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

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

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

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The 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.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. 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. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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 to measure 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 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-related 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 previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

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 acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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 has been allocated to a cash-generating unit (or 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. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, investment property under construction, available-for-sale financial assets and financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 of disposal, 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 statement of profit or loss 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 an 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 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 statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the 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 SUMMARY OF 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 statement of profit or loss 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 SUMMARY OF 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 the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including 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 statement of profit or loss 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. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. 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 the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

For a transfer from investment properties to owner-occupied properties, the deemed cost of a 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 statement of profit or loss. 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 SUMMARY OF 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 statement of profit or loss for the period in which it arises.

Agricultural produce

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

Winter date, lychee, pear, apple and other fruits harvested from fruit trees are measured at their fair values less costs to sell at the time of harvest. The fair values of winter date, lychee, pear, apple and other fruits are 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 statement of profit or loss 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 capitalised 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 statement of profit or loss 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 SUMMARY OF 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 statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss 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 are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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 receivables, deposits and other receivables, advanced to associates, financial assets at fair value through profit or loss, available-for-sale financial assets and amounts due from non-controlling shareholders of subsidiaries and a related company.

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 at 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 changes in fair value presented in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

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

2.4 SUMMARY OF 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 other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in 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 as 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 statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. 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 statement of profit or loss 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 assets 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, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

- 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; and 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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 yet 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. 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 other expenses in the statement of profit or loss.

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 statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

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. "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 statement of profit or loss-is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, financial liability included in other non-current liabilities and amounts due to non-controlling shareholders of subsidiaries and an associate.

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 statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a 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.

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

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 statement of profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

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

- in respect of taxable temporary differences associated with 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 carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

(a) 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 exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, 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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions

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

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

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

During the vesting period, the number of share options and awarded shares that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the statement of profit or loss 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/or 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Share-based payment transactions *(Continued)*

(ii) *Shares held for Share Award Scheme*

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

When the awarded shares are transferred to the awardees upon vesting, the related weighted average costs 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 statement of profit or loss.

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 statement of profit or loss.

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 SUMMARY OF 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised to the statement of profit or loss. 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 measured.

The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the 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 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 prevailing at the end of the reporting period and their statements of profit or loss 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 statement of profit or loss.

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 consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. 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 units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was HK$3,219,000 (2012: HK$3,152,000). Further details are given in note 23 to the financial statements.

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

Estimation uncertainty *(Continued)*

Estimation of fair value of investment properties, investment property under construction and investment properties presented as non-current assets classified as held for sale

At the end of each reporting period, investment properties, investment property under construction and investment properties presented as non-current assets classified as held for sale are stated at fair value based on the valuations performed by an independent professionally qualified valuer. Such valuations were based on certain assumptions and estimates, which are subject to uncertainty and might materially differ from the actual results. In making estimation, information from current prices in an active market for similar properties has been considered and assumptions that are mainly based on the existing market conditions have been applied. Further details, including the key assumptions used for fair value measurement of investment properties (including investment property under construction) and investment properties presented as non-current assets classified as held for sale, are given in notes 15 and 32, respectively, to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an 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 of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the aging of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. The carrying amount of trade receivables at 31 December 2013 was HK$272,180,000 (2012: HK$185,958,000). Further details are given in note 25 to the financial statements.

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

Estimation uncertainty *(Continued)*

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 statement of profit or loss. For the year ended 31 December 2013, no impairment losses (2012: HK$21,000) have been recognised for available-for-sale financial assets. The carrying amount of available-for-sale financial assets at 31 December 2013 was HK$71,689,000 (2012: HK$57,381,000). Further details are given in note 21 to the financial statements.

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 recorded 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 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 2013 was HK$632,661,000 (2012 (restated): HK$559,900,000). Further details are given in note 39 to the financial statements.

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 livestock 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.

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 an associate and finance costs are excluded from such measurement.

4. OPERATING SEGMENT INFORMATION *(Continued)*

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 2013 and 2012.

Group

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000 (Restated)	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000 (Restated)
Segment revenue										
External sales	**2,894,435**	2,228,852	**101,563**	98,130	**17,520**	27,217	**—**	—	**3,013,518**	2,354,199
Segment results	**66,117**	37,155	**184,213**	339,968	**(77,383)**	(94,706)	**(59,357)**	(86,474)	**113,590**	195,943
Reconciliation:										
Share of profits and losses of associates	**126**	820	**254,779**	269,017	**—**	—	**—**	—	**254,905**	269,837
Impairment of advances to an associate	**(60)**	(80)	**—**	—	**—**	—	**—**	—	**(60)**	(80)
Finance costs									**(51,336)**	(84,821)
Profit before tax									**317,099**	380,879
Segment assets	**1,399,013**	1,094,315	**5,560,935**	5,626,270	**241,563**	240,786	**268,400**	192,667	**7,469,911**	7,154,038
Reconciliation:										
Investments in associates	**12,043**	11,482	**1,336,651**	1,113,372	**—**	—	**—**	—	**1,348,694**	1,124,854
Tax recoverable									**20,459**	20,222
Total assets									**8,839,064**	8,299,114
Segment liabilities	**1,444,067**	1,152,763	**1,452,527**	1,038,248	**11,154**	11,653	**420,321**	486,191	**3,328,069**	2,688,855
Reconciliation:										
Tax payable									**36,334**	35,462
Deferred tax liabilities									**810,854**	766,985
Total liabilities									**4,175,257**	3,491,302

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	**2013 HK$'000**	2012 HK$'000 (Restated)	**2013 HK$'000**	2012 HK$'000 (Restated)	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000 (Restated)
Other segment information:											
Capital expenditures		**55,169**	77,595	**80,030**	5,752	**53,882**	42,278	**1,340,005**	249,564	**1,529,086**	375,189
Depreciation and amortisation		**38,842**	34,870	**3,572**	4,343	**25,940**	18,489	**145**	129	**68,499**	57,831
Provision/(reversal of provision) for inventories, net	6	**(8,573)**	487	**—**	—	**—**	—	**—**	—	**(8,573)**	487
Provision/(reversal of provision) for trade receivables, net	6 & 25	**1,618**	(472)	**240**	(481)	**—**	—	**—**	—	**1,858**	(953)
Write-off of other receivables		**—**	23	**2,947**	3,644	**—**	—	**—**	—	**2,947**	3,667
Write-off of biological assets		**—**	—	**—**	—	**24,217**	39,814	**—**	—	**24,217**	39,814

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

(b) Geographical segments

Revenue from external customers

	2013 HK$'000	2012 HK$'000 (Restated)
The People's Republic of China ("PRC") including Hong Kong and Macau	**256,109**	312,243
The United States of America	**1,633,644**	1,152,978
Europe	**579,968**	491,155
Japan	**60,811**	9,462
Others	**482,986**	388,361
	3,013,518	2,354,199

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

4. OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical segments *(Continued)*

Non-current assets

	2013 HK$'000	2012 HK$'000 (Restated)
Hong Kong	292,946	371,366
Mainland China	5,258,197	4,980,140
	5,551,143	5,351,506

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 amounted to 10% of the Group's revenue or above

Revenue of approximately HK$1,129 million (2012: HK$741 million) and HK$392 million (2012: HK$368 million), respectively, were derived from sales by the trading and manufacturing segment to two major customers.

5. REVENUE, OTHER INCOME AND GAINS, NET

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

5. REVENUE, OTHER INCOME AND GAINS, NET *(Continued)*

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

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Revenue			
Sale of merchandise from manufacturing and trading businesses		**2,894,435**	2,228,852
Rental income		**101,563**	98,130
Sale of agricultural produce		**17,520**	27,217
		3,013,518	2,354,199
Other income			
Bank interest income		**406**	668
Interest income from a related company	48	**3,900**	3,879
Other interest income		**216**	1,453
Others		**37,740**	20,375
		42,262	26,375
Gains, net			
Write-back of other payables		**1,006**	327
Gain on disposal of items of property, plant and equipment		**1,122**	180
Reversal of provision for trade receivables	25	**—**	953
Write-back of trade payables		**—**	1,032
Gain on disposal of available-for-sale financial assets		**1,114**	—
Gain on disposal of other non-current assets		**8,073**	—
Gain on disposal of financial assets at fair value through profit or loss		**171**	—
Gain on disposal of investment in a subsidiary	43	**—**	200
Loss on disposal of biological assets		**(719)**	—
Loss on deregistration of subsidiaries		**(1,227)**	—
Impairment of available-for-sale financial assets	21	**—**	(21)
Others		**213**	239
		9,753	2,910
		52,015	29,285

6. PROFIT BEFORE TAX

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

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Cost of inventories sold		**2,638,611**	2,048,491
Depreciation	14	**44,842**	40,735
Amortisation of prepaid land lease payments	16	**23,657**	17,096
Auditors' remuneration		**2,850**	2,380
Employee benefits expenses (including directors' remuneration (note 8)):			
Pension scheme contributions *		**64,049**	59,279
Equity-settled share award expense		**2,500**	3,223
Salaries, wages and other benefits		**962,436**	721,152
		1,028,985	783,654
Decrease in biological assets due to harvest	20	**955**	722
Operating lease rental in respect of land and buildings		**25,498**	27,233
Gross rental income from investment properties inclusive of investment property under construction and investment properties presented as non-current assets classified as held for sale		**(101,563)**	(98,130)
Less: Direct operating expenses		**18,549**	20,531
Net rental income		**(83,014)**	(77,599)
Provision/(reversal of provision) for trade receivables, net	25	**1,858**	(953)
Provision/(reversal of provision) for inventories, net**	24	**(8,573)**	487
Write-off of other receivables		**2,947**	3,667
Fair value gain on foreign exchange forward contracts***		**(21,767)**	(1,464)
Exchange gain, net		**(6,203)**	(3,334)

* At 31 December 2013 and 2012, 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.

*** Fair value gain on foreign exchange forward contracts of HK$18,346,000 was included in the cost of sales.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Notes	Group 2013 HK$'000	2012 HK$'000 (Restated)
Interest on bank loans, overdrafts and other loans wholly repayable:			
Within five years		**86,807**	84,020
Over five years		**1,784**	563
Interest on advances from affiliates:			
— an associate	48	**2,269**	1,954
— a related company	48	**—**	4
Other borrowing costs		**14,859**	—
		105,719	86,541
Less: Amounts capitalised:			
Interest		**(41,836)**	(1,720)
Other borrowing costs		**(12,547)**	—
		51,336	84,821

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 2013 HK$'000	2012 HK$'000
Fees	**832**	341
Other emoluments:		
Salaries, allowances and benefits in kind	**6,401**	3,337
Discretionary bonuses	**880**	11
Pension scheme contributions	**150**	115
Share awards	**1,126**	25
	8,557	3,488
	9,389	3,829

The Company has granted share awards to an executive director. The fair value of such share awards has been recognised in the statement of profit or loss over the vesting period and the amount so recognised is included in the above directors' remuneration disclosure.

8. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

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

	2013 HK$'000	2012 HK$'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.	280	17
Dr. Leung Tony Ka Tung	120	7
Mr. Lau Lai Chiu Patrick	100	—
	725	249

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

(b) Executive directors and a non-executive director

2013

	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	2,435	700	120	—	3,265
Mr. Richard Howard Gorges	10	—	—	—	—	10
Mr. Ng Yuk Fung Peter	10	1,805	—	15	—	1,830
Mr. Law Albert Yu Kwan	10	2,161	180	15	1,126	3,492
Mr. Yeung Kwong Sunny	7	—	—	—	—	7
	57	6,401	880	150	1,126	8,614
Non-executive director:						
Ms. Ng Yuk Mui Jessica	50	—	—	—	—	50
	107	6,401	880	150	1,126	8,664

8. DIRECTORS' REMUNERATION *(Continued)*

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

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2012: one*) directors whose remuneration are set out in details in note 8 above. Details of the remuneration of the remaining two (2012: four#) highest paid employees for the year are set out below.

In 2012, one of the five highest paid employees 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, is included in the prior year remuneration amounts below.

	Group	
	2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits in kind	**5,422**	8,282
Discretionary bonuses	**700**	285
Pension scheme contributions	**116**	142
Share awards	**315**	853
	6,553	9,562

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of the aforesaid remaining two (2012: four#) highest paid employees, whose remuneration fell within the following bands, is as follows:

	Number of employees 2013	2012
HK$1,500,001 to HK$2,000,000	—	1
HK$2,000,001 to HK$2,500,000	—	1
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,000,001 to HK$3,500,000	—	1
HK$3,500,001 to HK$4,000,000	**1**	—
	2	4

* excluding the employee who was appointed as an executive director during the year of 2012 as referred to in the above

\# including the employee who was appointed as an executive director during the year of 2012 as referred to in the above

The Company has granted share awards 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 statement of profit or loss over the vesting period and the amount so recognised 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% (2012: 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.

	2013 HK$'000	2012 HK$'000 (Restated)
Group:		
Current-Hong Kong		
Charge for the year	**7,661**	2,732
Overprovision in prior years	**(323)**	(385)
Current-Mainland China		
Charge for the year	**10,578**	7,413
Underprovision/(overprovision) in prior years	**235**	(2,525)
Deferred tax (note 39)	**15,330**	28,818
Total tax charge for the year	**33,481**	36,053

10. INCOME TAX *(Continued)*

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

	Group	
	2013 HK$'000	2012 HK$'000 (Restated)
Profit before tax	**317,099**	380,879
Tax at the Hong Kong profits tax rate of 16.5% (2012: 16.5%)	**52,321**	62,845
Effect of different tax rates of subsidiaries operating in Mainland China and Taiwan	**(1,472)**	412
Profits and losses attributable to associates	**(42,070)**	(44,593)
Expenses not deductible for tax	**55,551**	57,302
Income not subject to tax	**(57,532)**	(54,139)
Adjustments for current tax in respect of previous periods	**(88)**	(2,910)
Tax losses utilised from previous periods	**(4,009)**	(2,145)
Tax losses not recognised	**30,860**	19,507
Others	**(80)**	(226)
Total tax charge for the year	**33,481**	36,053

The share of tax charge attributable to associates amounting to HK$6,203,000 (2012: HK$4,190,000) is included in "Share of profits and losses of associates" on the face of the consolidated statement of profit or loss.

11. PROFIT ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2013 includes a loss of HK$6,346,000 (2012: loss of HK$13,932,000) which has been dealt with in the financial statements of the Company (note 42(b)).

12. DIVIDENDS

The Company had not declared or paid any dividend during the year (2012: Nil) and the board of directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2013 (2012 : 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$285,604,000 (2012 (restated): HK$329,070,000), and the weighted average number of ordinary shares of 2,948,920,000 (2012: 2,962,827,000) in issue less shares held for Share Award Scheme during the year.

The calculation of diluted earnings per share 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:

	2013 HK$'000	2012 HK$'000 (Restated)
Earnings		
Profit attributable to owners of the Company used in the basic and diluted earnings per share calculation	**285,604**	329,070

	Number of shares	
	2013 **'000**	2012 '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	**2,948,920**	2,962,827
Effect of redeemable convertible preference shares	**1,488,027**	—
Effect of shares held for Share Award Scheme	**39,716**	25,810
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**4,476,663**	2,988,637

The Company's share options have no dilution effect for the years ended 31 December 2013 and 2012 because the exercise price of the Company's share options was higher than the average market price 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 2013						
At 31 December 2012 and 1 January 2013:						
Cost or valuation (restated)	220,272	270,497	286,712	17,457	28,700	823,638
Accumulated depreciation and impairment (restated)	(106,709)	(221,523)	(232,576)	(13,454)	(24,255)	(598,517)
Net carrying amount (restated)	113,563	48,974	54,136	4,003	4,445	225,121
At 1 January 2013, net of accumulated depreciation and impairment (restated)	113,563	48,974	54,136	4,003	4,445	225,121
Exchange realignment	843	445	1,268	14	70	2,640
Additions	7,890	15,150	24,794	1,663	2,555	52,052
Depreciation provided during the year (note 6)	(10,420)	(15,120)	(15,531)	(1,937)	(1,834)	(44,842)
Disposals/write-offs	—	(40)	(605)	(3)	(119)	(767)
Transfer from investment properties (note 15)	6,836	—	—	—	—	6,836
Transfer from construction in progress (note 17)	—	1,384	—	—	—	1,384
At 31 December 2013, net of accumulated depreciation and impairment	118,712	50,793	64,062	3,740	5,117	242,424
At 31 December 2013:						
Cost or valuation	237,172	288,538	307,585	19,122	30,539	882,956
Accumulated depreciation and impairment	(118,460)	(237,745)	(243,523)	(15,382)	(25,422)	(640,532)
Net carrying amount	118,712	50,793	64,062	3,740	5,117	242,424
Analysis of cost or valuation:						
At cost	189,663	288,538	307,585	19,122	30,539	835,447
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
	237,172	288,538	307,585	19,122	30,539	882,956

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

Group *(Continued)*

	Leasehold land and buildings HK$'000	Furniture and leasehold improvements HK$'000 (Restated)	Machinery and equipment HK$'000 (Restated)	Moulds and tools HK$'000	Motor vehicles and vessels HK$'000 (Restated)	Total HK$'000 (Restated)
31 December 2012						
At 1 January 2012:						
Cost or valuation	205,444	256,269	282,669	16,659	31,604	792,645
Accumulated depreciation and impairment	(96,405)	(214,902)	(225,636)	(11,725)	(25,084)	(573,752)
Net carrying amount	109,039	41,367	57,033	4,934	6,520	218,893
At 1 January 2012, net of accumulated depreciation and impairment	109,039	41,367	57,033	4,934	6,520	218,893
Additions	1,164	16,305	9,168	798	871	28,306
Disposals/write-offs	—	(262)	(88)	—	(980)	(1,330)
Transfer from construction in progress (note 17)	13,664	5,953	370	—	—	19,987
Depreciation provided during the year (note 6)	(10,304)	(14,389)	(12,347)	(1,729)	(1,966)	(40,735)
At 31 December 2012, net of accumulated depreciation and impairment	113,563	48,974	54,136	4,003	4,445	225,121
At 31 December 2012:						
Cost or valuation	220,272	270,497	286,712	17,457	28,700	823,638
Accumulated depreciation and impairment	(106,709)	(221,523)	(232,576)	(13,454)	(24,255)	(598,517)
Net carrying amount	113,563	48,974	54,136	4,003	4,445	225,121
Analysis of cost or valuation:						
At cost	172,763	270,497	286,712	17,457	28,700	776,129
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	270,497	286,712	17,457	28,700	823,638

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

	Group	
	2013 HK$'000	2012 HK$'000
Leasehold land and buildings in Hong Kong:		
Long term leases	**18,434**	19,244
Medium term leases	**13,627**	14,004
	32,061	33,248
Buildings in Mainland China	**86,651**	80,315
	118,712	113,563

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

Group *(Continued)*

The Group is 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$39,168,000 as at 31 December 2013 were erected (2012: HK$32,746,000). The directors do not expect any legal obstacle in obtaining the relevant title certificates.

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 2013 would have been approximately HK$98,762,000 (2012: HK$92,948,000).

At 31 December 2013, certain of the Group's property, plant and equipment, including leasehold land and buildings and their corresponding prepaid land lease payments, with an aggregate net book value of approximately HK$197,799,000 (2012: HK$95,125,000) were pledged to secure the banking facilities granted to the Group (note 35).

15. INVESTMENT PROPERTIES AND INVESTMENT PROPERTY UNDER CONSTRUCTION

(i) Investment properties

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**1,726,378**	1,648,393
Exchange realignment	**52,730**	—
Transfer to property, plant and equipment (note 14)	**(6,836)**	—
Transfer from construction in progress (note 17)	**—**	1,536
Transfer to non-current assets classified as held for sale, at fair value (note 32)	**(120,170)**	(92,900)
Additions	**—**	4,371
Fair value gain	**113,693**	164,978
Carrying amount at 31 December	**1,765,795**	1,726,378

15. INVESTMENT PROPERTIES AND INVESTMENT PROPERTY UNDER CONSTRUCTION *(Continued)*

(i) Investment properties *(Continued)*

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

	Group	
	2013	2012
	HK$'000	HK$'000
Hong Kong:		
Long term leases	**233,640**	204,300
Medium term leases	**5,900**	108,590
	239,540	312,890
Mainland China:		
Medium term leases	**1,526,255**	1,413,488
	1,765,795	1,726,378

(ii) Investment property under construction

	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**3,019,473**	2,975,087
Exchange realignment	**113,891**	1,251
Additions	**24,736**	—
Interest and other borrowing costs capitalised	**52,220**	—
Fair value gain/(loss)	**(47,511)**	43,135
Carrying amount at 31 December	**3,162,809**	3,019,473

The Group's investment property under construction is situated in Mainland China and is held under a medium term lease.

15. INVESTMENT PROPERTIES AND INVESTMENT PROPERTY UNDER CONSTRUCTION *(Continued)*

Certain investment properties of the Group were revalued on 31 December 2013 by BMI Appraisals Limited at HK$120,170,000 (2012: HK$92,900,000) on an open market, existing use basis upon transfer to non-current assets classified as held for sale (note 32).

The Group's investment properties and investment property under construction, were revalued on 31 December 2013 by BMI Appraisals Limited, an independent professionally qualified valuer, at HK$1,765,795,000 (2012: HK$1,726,378,000) and HK$3,162,809,000 (2012 (restated): HK$3,019,473,000), respectively, on an open market, existing use basis. Such investment properties are leased or available for lease to third parties under operating leases. Details about such operating lease arrangements are included in note 46(a) to the financial statements.

At 31 December 2013, certain investment properties, including investment property under construction, of the Group with an aggregate value of HK$3,402,349,000 (2012 (restated): HK$3,332,363,000) were pledged and mortgaged to secure the banking facilities granted to the Group (note 35).

The Group is 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$1,267,851,000 as at 31 December 2013 (2012: HK$1,182,443,000). The directors do not expect any legal obstacle in obtaining the relevant title certificates.

At the end of each reporting period, the Group's management has discussion with the valuer on the valuation methodology and valuation results when the valuation is performed for financial reporting purposes. The investment properties and investment property under construction comprised commercial and industrial properties.

Further particulars of the Group's investment properties and investment property under construction are included on pages 139 to 142.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties and investment property under construction:

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:	HK$'000	HK$'000	HK$'000	HK$'000
Commercial properties	—	—	4,515,340	4,515,340
Industrial properties	—	—	413,264	413,264
	—	—	4,928,604	4,928,604

15. INVESTMENT PROPERTIES AND INVESTMENT PROPERTY UNDER CONSTRUCTION *(Continued)*

Fair value hierarchy *(Continued)*

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties HK$'000	**Industrial properties** HK$'000
Carrying amount at 1 January 2013	4,393,216	352,635
Exchange realignment	161,551	5,070
Transfer to property, plant and equipment (note 14)	(6,836)	—
Transfer to non-current assets classified as held for sale (note 32)	(120,170)	—
Additions	24,736	—
Interest and other borrowing costs capitalised	52,220	—
Fair value gain	10,623	55,559
Carrying amount at 31 December 2013	4,515,340	413,264

Below is a summary of the valuation techniques and the key inputs used in the valuation of the Group's investment properties and investment property under construction within Level 3 of the fair value hierarchy:

Properties	**Valuation techniques**	**Unobservable inputs**	**Range/weighted average of unobservable inputs**
Situated in Hong Kong			
— Commercial	Investment approach	Rental rate	HK$26–HK$28 per square foot
		Capitalisation rate	3.0%–3.5%
— Industrial	Investment approach	Rental rate	HK$5.5–HK$6 per square foot
		Capitalisation rate	3.0%–3.5%
Situated in Mainland China			
— Commercial	Investment approach	Rental rate	RMB8-RMB350 per square metre
		Capitalisation rate	4.0%–12.5%
— Commercial	Comparison approach	Unit price	RMB15,000-RMB52,000 per square metre
— Industrial	Investment approach	Rental rate	RMB2.6-RMB10.4 per square metre
		Capitalisation rate	7.0%–8.0%

Under the investment approach, the properties are valued by taking into account the current rents passing or the hypothetical rents and the reversionary potential of the tenancies if the properties have been or would be leased to tenants.

Under the comparison approach, the properties are valued on market basis assuming sales in their existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets. Appropriate adjustments are then made to account for the differences between such properties and their respective comparables in terms of age, time, location, floor level and other relevant factors.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**104,452**	118,283
Exchange realignment	**2,502**	—
Additions	**45,919**	30,861
Amortised during the year (note 6)	**(23,657)**	(17,096)
Capitalised as biological assets	**(22,781)**	(26,057)
Capitalised as inventories	**—**	(1,539)
Carrying amount at 31 December	**106,435**	104,452
Current portion included in prepayments, deposits and other receivables	**(15,876)**	(16,623)
Non-current portion	**90,559**	87,829

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

	Group	
	2013	2012
	HK$'000	HK$'000
Long term leases	**34,671**	31,445
Medium term leases	**71,764**	73,007
	106,435	104,452

17. CONSTRUCTION IN PROGRESS

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**116,326**	84,711
Exchange realignment	**4,321**	—
Additions	**6,344**	51,418
Transfer to property, plant and equipment (note 14)	**(1,384)**	(19,987)
Transfer to investment properties (note 15)	**—**	(1,536)
Interest capitalised	**2,163**	1,720
Carrying amount at 31 December	**127,770**	116,326

At 31 December 2013, certain construction in progress of the Group with an aggregate carrying value of HK$112,500,000 (2012: Nil) were pledged to secure the banking facilities granted to the Group (note 35).

18. INVESTMENTS IN SUBSIDIARIES

	Company 2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**234,018**	234,018
Capital contribution to share award trust (note)	**3,764**	2,499
	237,782	236,517
Due from subsidiaries	**3,131,061**	1,587,028
	3,368,843	1,823,545

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

Note 1 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$1,333,772,000 (2012: HK$1,331,704,000) are unsecured, interest-free and are not repayable within twelve months from the end of the reporting period.

Shares of certain indirect wholly-owned subsidiaries of the Company were pledged and mortgaged to secure the banking facilities granted to the Group (note 35).

Details of the principal subsidiaries are included on pages 134 to 136 in the financial statements.

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2013 %	2012 %
Percentage of equity interest held by non-controlling equity holders:		
遼寧長盛置業有限公司	**20%**	Note 2
南京微分電機有限公司	**13%**	13%

	2013 HK$'000	2012 HK$'000
Profit/(loss) for the year allocated to non-controlling interests:		
遼寧長盛置業有限公司	**(4,089)**	11,330
南京微分電機有限公司	**4,439**	4,874
Accumulated balances of non-controlling interests at the reporting dates:		
遼寧長盛置業有限公司	**358,967**	813,346
南京微分電機有限公司	**56,101**	49,728

18. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations.

	遼寧長盛置業有限公司 2013 HK$'000	**南京微分電機有限公司 2013 HK$'000**	遼寧長盛置業有限公司 2012 HK$'000	南京微分電機有限公司 2012 HK$'000
Revenue	**—**	**39,171**	47,601	39,981
Profit/(loss) for the year	**(20,446)**	**34,145**	24,439	37,489
Other comprehensive income for the year	**84,936**	**14,878**	881	—
Total comprehensive income for the year	**64,490**	**49,023**	25,320	37,489
Current assets	**47,633**	**113,058**	29,538	97,159
Non-current assets	**3,163,360**	**533,208**	3,019,613	479,375
Current liabilities	**(259,101)**	**(111,837)**	(230,214)	(104,512)
Non-current liabilities	**(589,294)**	**(102,882)**	(1,054,729)	(89,497)
Net cash flows from/(used in) operating activities	**(11,184)**	**4,676**	22,327	(32,782)
Net cash flows from/(used in) investing activities	**(25,130)**	**(378)**	822	766
Net cash flows from/(used in) financing activities	**36,956**	**—**	(24,083)	—
Net increase/(decrease) in cash and cash equivalents	**642**	**4,298**	(934)	(32,016)

As disclosed in the announcement of the Company dated 17 January 2013, the acquisition of the entire issued share capital of Splendor Sheen Limited was completed on 16 January 2013. The principal subsidiary of Splendor Sheen Limited is 遼寧長盛置業有限公司 (formerly 遼寧大發房地產有限責任公司) which is owned as to 80% by Splendor Sheen Limited and 20% by the non-controlling shareholders (the "Non-controlling Shareholders").

Two agreements dated 27 December 2011 and 28 October 2012, respectively, were signed by the shareholders of 遼寧長盛置業有限公司. Pursuant to the aforesaid agreements, the parties thereto agreed to make pro-rata capital contribution to 遼寧長盛置業有限公司 with reference to respective parties' equity ownership percentage in 遼寧長盛置業有限公司 in the aggregate amounts of RMB608,000,000 for the Group and RMB152,000,000 for the Non-controlling Shareholders. Up to 31 December 2013, the Group has injected approximately RMB459,644,000 (up to 31 December 2012: approximately RMB27,611,000), equivalent to approximately HK$567,765,000 (up to 31 December 2012: equivalent to approximately HK$33,865,000), in aggregate to 遼寧長盛置業有限公司 under the capital contribution obligation as referred to in the above. The Non-controlling Shareholders, however, have not made any payment for their respective capital contribution obligations up to 31 December 2013. As such, the abovementioned outstanding capital contributions from the Non-controlling Shareholders have not been recognised in the equity as non-controlling interests and, therefore, such outstanding capital contributions from the Non-controlling Shareholders were not accounted for in the balance of non-controlling interests in 遼寧長盛置業有限公司 of HK$813,346,000 and HK$358,967,000 as carried in the consolidated statement of financial position as at 31 December 2012 and 2013, respectively.

Note 2 Prior to completion of the Acquisition, the results of Splendor Sheen Limited and its subsidiaries were consolidated to the financial statements of the Group to the extent of the common controlling shareholder's effective shareholding in Splendor Sheen Limited under merger accounting in the common control combination. This gave rise to a 32.95% deemed non-controlling interests in Splendor Sheen Limited as at 31 December 2012. The Group derecognised such deemed non-controlling interests upon the deemed acquisition of the same with accumulated balance of HK$369,338,000 by the Group on completion of the Acquisition.

Accordingly, the effective non-controlling interests in 遼寧長盛置業有限公司, which was 80% owned by Splendor Sheen Limited, as at 31 December 2012 was deemed to be 46.36%.

19. INVESTMENTS IN ASSOCIATES

	Group	
	2013	2012
	HK$'000	HK$'000
Share of net assets:		
Unlisted associates	**1,348,694**	1,124,854
Advances to associates	**57,839**	57,779
Provision for impairment#	**(57,839)**	(57,779)
	—	—
	1,348,694	1,124,854

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

The 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$57,839,000 (2012: HK$57,779,000) 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$105,948,000 as at 31 December 2013 (2012: HK$116,579,000), which carries interest at Hong Kong lnterbank Offered Rate ("HIBOR") plus 1.15% per annum (2012: HIBOR plus 1.73% 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$540,000,000 (2012: HK$579,600,000) to secure banking facilities granted to Firm Wise Investment Limited ("FWIL"), an associate of the Company, which was fully utilised as at 31 December 2013 (2012: HK$551,400,000) (note 44). The banking facilities are due to be mature in November 2016. 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	
	2013	2012
	HK$'000	HK$'000
At 1 January	**57,779**	57,699
Impairment loss recognised	**60**	80
At 31 December	**57,839**	57,779

Details of the principal associate are included on page 137 in the financial statements.

19. INVESTMENTS IN ASSOCIATES *(Continued)*

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	2013 HK$'000	2012 HK$'000
Current assets	118,291	125,382
Non-current assets	6,267,855	5,558,280
Current liabilities	(106,788)	(1,914,748)
Non-current liabilities	(1,823,855)	(57,674)
Net assets	4,455,503	3,711,240
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	30%	30%
Group's share of net assets of the associate	1,336,651	1,113,372
Carrying amount of the investment	1,336,651	1,113,372
Revenues	179,088	171,449
Profit for the year	849,264	896,724
Other comprehensive income	—	—
Total comprehensive income for the year	849,264	896,724
Dividend received from the associate	(31,500)	(33,600)

The following table illustrates the aggregate financial information of the other associates that are not individually material:

Other associates	2013 HK$'000	2012 HK$'000
Share of the associates' profit for the year	126	819
Share of the associates' other comprehensive income	435	—
Share of the associates' total comprehensive income	561	819
Dividend received from the associates	—	(3,614)
Aggregate carrying amount of the Group's investments in the associates	12,043	11,482

At 31 December 2013, 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$1,337 million (2012: HK$1,113 million) were pledged to secure the banking facilities granted to the Group.

20. BIOLOGICAL ASSETS

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

	Lychee trees HK$'000	Pear trees HK$'000	Winter date trees HK$'000	Apple trees HK$'000	Others HK$'000	Total HK$'000
31 December 2013						
Carrying amount at 1 January 2013	**16,113**	**20,046**	**18,095**	**44,033**	**39,497**	**137,784**
Exchange realignment	**651**	**665**	**647**	**1,465**	**1,158**	**4,586**
Additions	**121**	**2,711**	**1,239**	**14,249**	**10,247**	**28,567**
(Loss)/gain arising from changes in fair value less costs to sell	**4,229**	**(6,016)**	**454**	**(3,594)**	**(9,963)**	**(14,890)**
Write-off of biological assets	**(907)**	**(811)**	**(2,988)**	**(6,405)**	**(13,106)**	**(24,217)**
Disposal of biological assets	**—**	**—**	**—**	**(5,048)**	**(1,865)**	**(6,913)**
Decrease due to harvest (note 6)	**—**	**(145)**	**(181)**	**(78)**	**(551)**	**(955)**
Carrying amount at 31 December 2013	**20,207**	**16,450**	**17,266**	**44,622**	**25,417**	**123,962**
31 December 2012						
Carrying amount at 1 January 2012	16,392	6,902	44,043	52,879	35,409	155,625
Additions	1,271	1,873	943	12,255	19,198	35,540
(Loss)/gain arising from changes in fair value less costs to sell	(1,271)	13,988	(26,173)	(3,589)	4,200	(12,845)
Write-off of biological assets	(254)	(2,717)	(21)	(17,512)	(19,310)	(39,814)
Decrease due to harvest (note 6)	(25)	—	(697)	—	—	(722)
Carrying amount at 31 December 2012	16,113	20,046	18,095	44,033	39,497	137,784

Quantities of fruit trees:

	Group	
	2013 Number of trees '000	2012 Number of trees '000
Lychee trees	**202**	213
Pear trees	**216**	201
Winter date trees	**107**	128
Apple trees	**328**	477
Others	**1,982**	2,317
	2,835	3,336

20. BIOLOGICAL ASSETS *(Continued)*

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

	Group	
	2013	2012
	HK$'000	HK$'000
Fair value less costs to sell		
Lychee	**—**	25
Pear	**145**	—
Winter date	**181**	697
Apple	**78**	—
Others	**551**	—
	955	722
	Tons	Tons
Saleable output:		
Lychee	**—**	3
Pear	**78**	—
Winter date	**24**	121
Apple	**88**	—
Others	**200**	—
	390	124

The Group's biological assets as at 31 December 2013 were revalued by an independent professionally qualified valuer using the income approach.

Under the income approach, a discounted cash flow method was adopted to determine the present value of cash flow projections by discounting free cash flows for each year in the future at a discount rate which is determined by the weighted average cost of capital.

At the end of each reporting period, the Group's management had discussion with the valuer on the valuation methodology and valuation results when the valuation was performed for financial reporting purposes.

20. BIOLOGICAL ASSETS *(Continued)*

Fair value hierarchy

The biological assets are categorised within Level 3 of the fair value hierarchy.

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Recurring fair value measurement for:	HK$'000	HK$'000	HK$'000	HK$'000
Biological assets	—	—	123,962	123,962

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of biological assets within Level 3 of the fair value hierarchy:

Biological assets	Valuation technique	Significant unobservable inputs	Range/weighted average of unobservable inputs
Lychee trees	Income approach using discounted cash flow method ("DCF")	Discount rate	17.27%
		Expected long term growth rate	2.97%
		Expected life	50 years
		Expected maximum yield per mu	305 kg
Pear trees	Income approach using DCF	Discount rate	17.27%
		Expected long term growth rate	2.97%
		Expected life	30 years
		Expected maximum yield per mu	1,500 kg to 2,400 kg
Winter date trees	Income approach using DCF	Discount rate	17.27%
		Expected long term growth rate	2.97%
		Expected life	30 years
		Expected maximum yield per mu	1,000 kg to 1,500 kg
Apple trees	Income approach using DCF	Discount rate	17.27%
		Expected long term growth rate	2.97%
		Expected life	30 years
		Expected maximum yield per mu	1,200 kg to 2,400 kg
Other fruit trees	Income approach using DCF	Discount rate	17.27%
		Expected long term growth rate	2.97%
		Expected life	30 to 50 years
		Expected maximum yield per mu	200 kg to 2,000 kg

The fair values of the biological assets are also determined on the assumption that the fruit trees will continue to be competently managed and remain free from irremediable diseases in their remaining estimated useful lives.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2013	2012
	HK$'000	HK$'000
Club debentures, at fair value	**71,664**	57,356
Unlisted equity investments, at cost	**25**	25
	71,689	57,381

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 during the year amounted to HK$15,997,000 (2012: fair value gain of HK$11,415,000). In prior year, the Group recognised an impairment loss of HK$21,000 (note 5) in respect of its club debentures in the consolidated statement of profit or loss there was no such impairment loss in the current year.

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.

As at 31 December 2013, certain available-for-sale financial assets of the Group with an aggregate carrying value of HK$4,944,000 (2012 : Nil) were pledged to secure the banking facilities granted to the Group (note 35).

22. TRADE RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group	
	2013	2012
	HK$'000	HK$'000
Prepayments and deposits	**18,967**	18,777

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

As at 31 December 2013, certain of the above prepayments and deposits of the Group with an aggregate carrying value of HK$13,727,000 (2012: Nil) were pledged to secure the banking facilities granted to the Group (note 35).

23. GOODWILL

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January:		
Cost	**6,652**	6,652
Accumulated impairment	**(3,500)**	(3,500)
Net carrying amount	**3,152**	3,152
Carrying amount at 1 January	**3,152**	3,152
Exchange realignment	**67**	—
At 31 December	**3,219**	3,152
At 31 December:		
Cost	**6,719**	6,652
Accumulated impairment	**(3,500)**	(3,500)
Net carrying amount	**3,219**	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 (2012: HK$3,067,000) as at 31 December 2013.

As at 31 December 2013, certain goodwill of the Group with an aggregate carrying value of HK$1,374,000 (2012: Nil) was pledged to secure the banking facilities granted to the Group (note 35).

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 11.0% (2012: 11.75%). Cash flows beyond the five-year period are extrapolated using a growth rate of 3.0% (2012: 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 9.9% (2012: 9.5%). Cash flows beyond the five-year period are extrapolated using a growth rate of 3.0% (2012: 3.0%) which is estimated on the basis of the long term average growth rate of the toy manufacturing and trading industry.

23. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

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

	Group	
	2013	2012
	HK$'000	HK$'000
Cash-generating units:		
Property investment and development	**1,845**	1,778
Toy manufacturing and trading	**1,374**	1,374
	3,219	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 2013 and 31 December 2012. 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	
	2013	2012
	HK$'000	HK$'000
Raw materials	**153,024**	148,773
Work in progress	**94,200**	80,889
Finished goods	**198,637**	171,502
	445,861	401,164
Provision against obsolete inventories	**(39,986)**	(59,768)
	405,875	341,396

24. INVENTORIES *(Continued)*

The movements in provision against obsolete inventories are as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**59,768**	67,246
Exchange realignment	**2,578**	—
(Reversal of provision)/provision (note 6)	**(8,573)**	487
Amount utilised	**(13,787)**	(7,965)
At 31 December	**39,986**	59,768

As at 31 December 2013, certain inventories of the Group with an aggregate carrying value of HK$341,345,000 (2012: HK$251,214,000) were pledged to secure the banking facilities granted to the Group (note 35).

25. TRADE RECEIVABLES

	Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**337,483**	248,140
Provision for impairment	**(65,303)**	(62,182)
	272,180	185,958

The Group's trading terms with its customers are mainly 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 51 to the financial statements. The Group does not hold any collateral or other credit enhancements over these balances. 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	
	2013	2012
	HK$'000	HK$'000
Within 90 days	**260,052**	168,086
91 to 180 days	**4,258**	6,152
181 to 365 days	**1,959**	6,120
Over 365 days	**5,911**	5,600
	272,180	185,958

25. TRADE RECEIVABLES *(Continued)*

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

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**62,182**	63,234
Exchange realignment	**1,841**	—
Impairment loss provision/(reversal) (notes 5 and 6)	**1,858**	(953)
Amount written off as uncollectible	**(578)**	(99)
At 31 December	**65,303**	62,182

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$65,303,000 (2012: HK$62,182,000) with an aggregate carrying amount before provision of HK$65,303,000 (2012: HK$62,182,000). 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.

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	
	2013	2012
	HK$'000	HK$'000
Within 90 days	**260,052**	168,086
91 to 180 days	**4,258**	6,152
181 to 365 days	**1,959**	6,120
Over 365 days	**5,911**	5,600
	272,180	185,958

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.

As at 31 December 2013, certain trade receivables of the Group with an aggregate carrying value of HK$212,595,000 (2012: Nil) were pledged to secure the banking facilities granted to the Group (note 35).

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

None of the prepayments, deposits and other receivables is past due or impaired. The financial assets included in the balance relate to receivables for which there was no recent history of default.

As at 31 December 2013, certain prepayments, deposits and other receivables of the Group with an aggregate carrying value of HK$46,690,000 (2012: Nil) were pledged to secure the banking facilities granted to the Group (note 35).

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Equity investments at market value listed in:				
Hong Kong	**64,036**	36,736	**28,386**	16,808
Mainland China	**1,235**	1,353	**—**	—
	65,271	38,089	**28,386**	16,808

The above equity investments at 31 December 2013 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 values of such short term investments of the Group and the Company at the date of approval of these financial statements were approximately HK$56,075,000 and HK$24,755,000 respectively.

28. FOREIGN EXCHANGE FORWARD CONTRACTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Foreign exchange forward contracts	**14,617**	1,464	**3,191**	—

The Group has entered into non-delivery foreign exchange forward contracts which did not meet the criteria of hedge accounting. The changes in the fair value of such non-hedging currency derivatives gave rise to a gain of HK$21,767,000 (2012: HK$1,464,000), which was credited to profit or loss during the year. The carrying amount of foreign exchange forward contracts represents their fair value.

As at 31 December 2013, certain foreign exchange forward contracts of the Group with an aggregate carrying value of HK$11,426,000 (2012: Nil) were pledged to secure the banking facilities granted to the Group (note 35).

29. DUE FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts due from non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

As at 31 December 2013, certain amounts due from non-controlling shareholders of subsidiaries of the Group with an aggregate carrying value of HK$41,391,000 (2012: Nil) were pledged to secure the banking facilities granted to the Group (note 35).

30. DUE FROM AN AFFILIATE

	Group 2013 HK$'000	2012 HK$'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 the drawdown date, and carries interest at Hong Kong dollar prime rate. The maximum amount outstanding during the year was HK$78,000,000.

31. 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$109,700,000 (2012 (restated): HK$92,049,000). 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.

As at 31 December 2013, certain cash and bank balances of the Group with an aggregate carrying value of HK$292,171,000 (2012: Nil) were pledged to secure the banking facilities granted to the Group, of which an amount of approximately HK$19,353,000 (2012: Nil) was restricted as to use (note 35).

32. 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 2013 HK$'000	2012 HK$'000
Carrying amount at 1 January	**497,424**	331,990
Exchange realignment	**(99)**	239
Transfer from investment properties (note 15)	**120,170**	92,900
Fair value gain	**65,974**	103,016
Disposal of a subsidiary (note 43)	**(121,400)**	(27,800)
Disposal	**(113,000)**	(2,921)
Carrying amount at 31 December	**449,069**	497,424

The investment properties presented as non-current assets classified as held for sale were revalued on 31 December 2013 by BMI Appraisals Limited, an independent professionally qualified valuer, at HK$449,069,000 (2012: HK$497,424,000) on an open market, existing use basis. Such investment properties are leased or available for lease to third parties under operating leases. Details about such operating lease arrangements are included in note 46(a) to the financial statements.

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

As at 31 December 2013, certain non-current assets of the Group classified as held for sale with an aggregate value of HK$430,240,000 (2012: HK$492,270,000) were pledged and mortgaged to secure the banking facilities granted to the Group (note 35).

Further particulars of the Group's investment properties presented as non-current assets classified as held for sale are set out on pages 142 to 144.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties presented as non-current assets classified as held for sale:

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Recurring fair value measurement for:	HK$'000	HK$'000	HK$'000	HK$'000
Commercial properties	—	—	377,169	377,169
Industrial properties	—	—	71,900	71,900
	—	—	449,069	449,069

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Commercial properties	**Industrial properties**
	HK$'000	HK$'000
Carrying amount at 1 January 2013	433,024	64,400
Exchange realignment	(99)	—
Disposal of a subsidiary (note 43)	(121,400)	—
Disposal	(113,000)	—
Transfer from investment properties (note 15)	120,170	—
Fair value gain	58,474	7,500
Carrying amount at 31 December 2013	377,169	71,900

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

Fair value hierarchy *(Continued)*

Below is a summary of the valuation techniques and the key inputs used in the valuation of the Group's investment properties presented as non-current assets classified as held for sale:

Properties	Valuation techniques	Unobservable inputs	Range/weighted average of unobservable inputs
Situated in Hong Kong			
— Commercial	Investment approach	Rental rate	HK$14–HK$38 per square foot
		Capitalisation rate	3.0%–3.5%
	Comparison approach	Unit price	HK$5,000–HK$14,000 per square foot
— Industrial	Comparison approach	Unit price	HK$3,800–HK$4,800 per square foot
Situated in Taiwan			
— Commercial	Comparison approach	Unit price	TWD28,000–TWD35,000 per square metre

Under the investment approach, the properties are valued by taking into account the current rents passing or the hypothetical rents and the reversionary potential of the tenancies if the properties have been or would be leased to tenants.

Under the comparison approach, the properties are valued on market basis assuming sales in their existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant markets. Appropriate adjustments are then made to account for the differences between such properties and their respective comparables in terms of age, time, location, floor level and other relevant factors.

33. TRADE AND BILLS PAYABLES

	Group	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Trade payables	**353,155**	238,011

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

	Group	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Within 90 days	**267,461**	167,082
91 to 180 days	**33,017**	14,939
181 to 365 days	**5,731**	7,387
Over 365 days	**46,946**	48,603
	353,155	238,011

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

34. OTHER PAYALBES AND ACCRUALS

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

35. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2013 HK$'000	Group 2012 HK$'000 (Restated)	Company 2013 HK$'000	Company 2012 HK$'000
Current						
Bank overdrafts — unsecured	5.00–5.50	on demand	**8,191**	6,439	**—**	—
Bank overdrafts — secured	5.00–5.50	on demand	**14,232**	7,683	**—**	—
Bank loans — unsecured	1.71–6.77	2014	**60,654**	102,121	**—**	—
Bank loans — secured	1.74–8.10	2014	**546,294**	678,691	**155,985**	330,000
Trust receipt loans — secured	1.84–2.39	2014	**361,765**	251,214	**—**	—
			991,136	1,046,148	**155,985**	330,000
Non-current						
Bank loans — unsecured	5.00–6.77	2015–2016	**45,696**	2,409	**—**	—
Bank loans — secured	2.69–3.26	2015–2020	**1,269,229**	746,382	**1,038,850**	52,500
			1,314,925	748,791	**1,038,850**	52,500
			2,306,061	1,794,939	**1,194,835**	382,500

	2013 HK$'000	2012 HK$'000 (Restated)	2013 HK$'000	2012 HK$'000
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand	**991,136**	1,046,148	**155,985**	330,000
In the second year	**729,711**	103,409	**583,988**	15,000
In the third to fifth years, inclusive	**578,133**	645,382	**454,862**	37,500
Over five years	**7,081**	—	**—**	—
	2,306,061	1,794,939	**1,194,835**	382,500

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

Notes:

Group

(a) At the end of the reporting period, the Group's bank borrowings of approximately HK$2,191,520,000 (2012 (restated): HK$1,683,970,000) were secured by:

(i) pledges and mortgages over the Group's investment properties inclusive of investment property under construction situated in Hong Kong and Mainland China, which had an aggregate carrying value of approximately HK$3,402,349,000 (2012 (restated): HK$3,332,363,000) (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$430,240,000 (2012: HK$492,270,000) (note 32) 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$102,629,000 (2012: HK$95,125,000) at the end of the reporting period;

(iv) pledges over the Group's inventories, which had an aggregate carrying value of approximately HK$334,002,000 (2012: HK$251,214,000) at the end of the reporting period;

(v) pledges over certain bank deposits of the Group with an aggregate carrying value of approximately HK$19,353,000 (2012: Nil) (note 31) at the end of the reporting period;

(vi) fixed and floating charge over all assets of certain subsidiaries of the Group with aggregate amounts at the end of the reporting period as carried in the consolidated statement of financial position as follows:

- approximately HK$3,396,449,000 (2012: Nil) in respect of the Group's investment properties inclusive of investment property under construction which has been included in note (a)(i) above;

- approximately HK$197,799,000 (2012: Nil) (note 14) in respect of the Group's property, plant and equipment and prepaid land lease payments, of which approximately HK$87,805,000 (2012: Nil) has been included in note (a)(iii) above;

- approximately HK$341,345,000 (2012: Nil) (note 24) in respect of the Group's inventories, of which approximately HK$334,002,000 (2012: Nil) has been included in note (a)(iv) above; and

- approximately HK$112,500,000 (2012: Nil), HK$1,374,000 (2012: Nil), HK$4,944,000 (2012: Nil), HK$11,426,000 (2012: Nil), HK$212,595,000 (2012: Nil), HK$60,417,000 (2012: Nil), HK$20,459,000 (2012: Nil), HK$41,391,000 (2012: Nil) and HK$272,818,000 (2012: Nil) in respect of the Group's construction in progress (note 17), goodwill (note 23), available-for-sale financial assets (note 21), foreign exchange forward contracts (note 28), trade receivables (note 25), prepayments, deposits and other receivables (notes 22 and 26), tax recoverable, amounts due from non-controlling shareholders of subsidiaries (note 29) and cash and bank balances (note 31), respectively.

(b) At the end of the reporting period, except for the secured bank loans with an aggregate amount of HK$249,086,000 (2012 (restated): HK$711,612,000), which were denominated in Renminbi, and an aggregate amount of HK$23,267,000 , which were denominated in United States dollars (2012:Nil), and the unsecured bank loans of HK$45,537,000 (2012: HK$44,240,000) which were denominated in Renminbi, all other borrowings were in Hong Kong dollars.

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

Notes: *(Continued)*

Company

At the end of the reporting period, the Company's bank borrowings of approximately HK$1,194,835,000 (2012: HK$382,500,000) were secured by:

(i) pledges over certain bank deposits of the Company and an indirect wholly-owned subsidiary with an aggregate carrying value of HK$19,353,000 (2012: Nil) at the end of the reporting period;

(ii) fixed and floating charge over all assets of certain subsidiaries of the Company with an aggregate amount at the end of the reporting period as carried in the consolidated statement of financial position set out in note (a)(vi) above; and

(iii) pledges and mortgages over the shares of certain indirect wholly-owned subsidiaries of the Company.

36. DUE TO A NON-CONTROLLING SHAREHOLDER OF SUBSIDIARIES

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

37. ADVANCES FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

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

38. OTHER NON-CURRENT LIABILITIES

	Group		**Company**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Provision for severance payments	**79,149**	79,725	**—**	—
Others	**10,593**	9,903	**956**	616
	89,742	89,628	**956**	616

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

	Group	
	2013 HK$'000	2012 HK$'000
At 1 January	**79,725**	80,651
Exchange realignment	**3,008**	—
Amounts utilised during the year	**(3,584)**	(926)
At 31 December	**79,149**	79,725

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

39. DEFERRED TAX

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

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation HK$'000	**Revaluation of properties** HK$'000	**Withholding tax** HK$'000	**Losses available for offsetting against future taxable profits** HK$'000	**Total** HK$'000
At 1 January 2012					
As previously reported	9,396	239,882	761	(5,559)	244,480
Adjusted for common control combination	—	493,480	—	—	493,480
As restated	9,396	733,362	761	(5,559)	737,960
Deferred tax charged/(credited) to the statement of profit or loss (note 10) (restated)	87	29,265	(295)	(239)	28,818
Exchange realignment	—	207	—	—	207
At 31 December 2012 (restated)	9,483	762,834	466	(5,798)	766,985
At 1 January 2013 (restated)	9,483	762,834	466	(5,798)	766,985
Deferred tax charged/(credited) to the statement of profit or loss (note 10)	(44)	15,814	(466)	26	15,330
Exchange realignment	—	28,539	—	—	28,539
At 31 December 2013	9,439	807,187	—	(5,772)	810,854

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

(i) *Tax losses arising in Hong Kong*

The Group and the Company have tax losses arising in Hong Kong of HK$323,549,000 (2012: HK$329,214,000) and HK$22,540,000 (2012: HK$22,540,000), respectively. Such tax losses are available indefinitely for offsetting against future taxable profits of the relevant companies in which the losses arose.

(ii) *Tax losses arising in Mainland China*

The Group has tax losses arising in Mainland China of HK$346,462,000 (2012 (restated): HK$230,686,000) 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.

39. DEFERRED TAX *(Continued)*

Deferred tax liabilities *(Continued)*

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.

At 31 December 2013, no deferred tax has been recognised for withholding taxes on the unremitted earnings, which are subject to the abovementioned withholding taxes, of the Group's 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$39,025,000 at 31 December 2013 (2012: HK$25,787,000).

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

40. SHARE CAPITAL

Shares

	2013 HK$'000	2012 HK$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.02 each	**100,000**	100,000
2,000,000,000 redeemable convertible preference shares of HK$0.02 each	**40,000**	40,000
Total authorised capital	**140,000**	140,000
Issued and fully paid:		
2,988,636,863 ordinary shares of HK$0.02 each	**59,773**	59,773
1,352,942,526 redeemable convertible preference shares of HK$0.02 each	**27,059**	—
Total issued and fully paid capital	**86,832**	59,773

The redeemable convertible preference shares are redeemable at the sole discretion of the Company at any time after the issuance thereof. Holder of the redeemable convertible preference shares shall be entitled to pro-rata share of dividend or distribution declared by the board of directors of the Company, at its discretion, to the ordinary shareholders of the Company. Dividends or distributions payable to the holders of the redeemable convertible preference shares are not cumulative. The redeemable convertible preference shares shall not confer on the holders thereof the right to receive notice of, or to attend and vote at, general meeting of the Company unless a resolution is proposed to vary or abrogate the rights or privileges of the holders of the redeemable convertible preference shares or for winding-up the Company. The redeemable convertible preference shares rank prior to the ordinary shares on distribution of assets on liquidation, winding-up or dissolution of the Company to the extent of the amount equal to the aggregate issue price of the relevant redeemable convertible preference shares. The remaining assets shall belong to and be distributed on a pari passu basis among the holders of the ordinary shares.

Movements in share capital were as follows:

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:

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

(ii) 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.

(a) 1,770,710,526 redeemable convertible preference shares of HK$0.02 each were issued at an issue price of HK$0.57 per share.

(b) 417,768,000 redeemable convertible preference shares of HK$0.02 each were redeemed at a price of HK$0.57 per share.

40. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

Movements of issued capital were as follows:

	Issued ordinary shares HK$'000	Issued redeemable convertible preference shares HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2012, 31 December 2012 and 1 January 2013	59,773	—	6,724	66,497
Redeemable convertible preference shares issued during the year	—	35,414	973,891	1,009,305
Redeemable convertible preference shares redeemed during the year	—	(8,355)	(229,773)	(238,128)
At 31 December 2013	59,773	27,059	750,842	837,674

Share options

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

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.

40. SHARE CAPITAL *(Continued)*

Share awards *(Continued)*

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 values are as follows:

	2013		2012	
	Average fair value per share HK$	**Number of awarded shares**	Average fair value per share HK$	Number of awarded shares
At 1 January		**5,976,000**		6,336,000
Awarded	**0.85**	**3,160,000**	0.48	2,080,000
Forfeited	**0.86**	**(1,648,000)**	0.53	(1,128,000)
Vested	**0.57**	**(912,000)**	0.63	(1,312,000)
At 31 December		**6,576,000**		5,976,000

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

	2013		2012	
	Value HK$'000	**Number of shares held**	Value HK$'000	Number of shares held
At 1 January	**22,650**	**37,944,000**	10,751	17,928,000
Purchased during the year	**2,986**	**3,912,000**	12,719	21,328,000
Vested during the year	**(521)**	**(912,000)**	(820)	(1,312,000)
At 31 December	**25,115**	**40,944,000**	22,650	37,944,000

During the year, the Share Award Scheme transferred 912,000 shares of the Company (2012: 1,312,000) to the awardees upon vesting of certain awarded shares. The total cost of the vested shares was HK$521,000 (2012: HK$820,000).

The remaining vesting period of the awarded shares in the Company outstanding as at 31 December 2013 is between 0.5 year and 2.0 years.

41. 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

(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;

41. SHARE OPTION SCHEMES *(Continued)*

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

(b) *Purpose 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.

(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.

41. SHARE OPTION SCHEMES *(Continued)*

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

(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:

	2013		2012	
	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**	**92,700**	1.5	94,000
Lapsed during the year	**1.5**	**(1,200)**	1.5	(1,300)
At 31 December	**1.5**	**91,500**	1.5	92,700

41. SHARE OPTION SCHEMES *(Continued)*

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

(i) *Remaining life of the 2002 Share Option Scheme (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 2013	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 2013	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
	1,966,666	—	—	(200,000)	—	—	1,766,666	25/09/2007	25/09/2008 to 24/09/2017	1.500
	1,966,666	—	—	(200,000)	—	—	1,766,666	25/09/2007	25/09/2009 to 24/09/2017	1.500
	1,966,668	—	—	(200,000)	—	—	1,766,668	25/09/2007	25/09/2010 to 24/09/2017	1.500
Sub-total	9,900,000	—	—	(600,000)	—	—	9,300,000			
Others										
In aggregate	10,066,665	—	—	(200,000)	—	—	9,866,665	18/09/2007	18/09/2008 to 17/09/2017	1.500
	10,066,666	—	—	(200,000)	—	—	9,866,666	18/09/2007	18/09/2009 to 17/09/2017	1.500
	10,066,669	—	—	(200,000)	—	—	9,866,669	18/09/2007	18/09/2010 to 17/09/2017	1.500
	200,000	—	—	—	—	—	200,000	25/09/2007	25/09/2008 to 24/09/2017	1.500
	200,000	—	—	—	—	—	200,000	25/09/2007	25/09/2009 to 24/09/2017	1.500
	200,000	—	—	—	—	—	200,000	25/09/2007	25/09/2010 to 24/09/2017	1.500
Sub-total	30,800,000	—	—	(600,000)	—	—	30,200,000			
Total	92,700,000	—	—	(1,200,000)	—	—	91,500,000			

41. SHARE OPTION SCHEMES *(Continued)*

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

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

Notes:

(1) No Participant has been reclassified during the year.

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

From the date of grant of share options	**Exercisable percentage**
	%
Within 12 months	Nil
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.

Except 1,200,000 share options have been lapsed, no share option has been granted, exercised or cancelled during the year ended 31 December 2013. The Group recognised no share option expense in the years ended 31 December 2013 and 2012.

At the end of the reporting period, the Company had 91,500,000 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 91,500,000 additional ordinary shares of the Company with additional share capital of HK$1,830,000 and share premium of HK$135,420,000 (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;

41. SHARE OPTION SCHEMES *(Continued)*

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

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

(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.

(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, i.e., a total of 298,863,686.

As at 31 December 2013, the total number of shares available for issue pursuant to the grant of further share options under the 2012 Share Option Scheme was 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.

41. SHARE OPTION SCHEMES *(Continued)*

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

(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.

(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 2013, no share option has been granted, exercised or cancelled under the 2012 Share Option Scheme since its adoption.

42. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 35 to 36 of the financial statements.

Pursuant to the relevant laws and regulations of the PRC, certain subsidiaries of the Group registered in the PRC shall appropriate a portion of their profits after tax to the PRC statutory reserves, which are restricted as to use, subject to certain conditions provided that the said profit after tax of the relevant subsidiary is in excess of its accumulated losses brought forward, if any. For such appropriation, the said profit after tax and accumulated losses brought forward shall be the respective amounts reported in accordance with the accounting principles generally applicable to the PRC enterprises. There was no such transfer to the PRC statutory reserves for the year ended 31 December 2013 (2012: Nil).

(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 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 and 1 January 2013		6,724	223	(22,650)	51,999	28,088	64,384
Total comprehensive loss for the year	11	—	—	—	—	(6,346)	(6,346)
Issuance of redeemable convertible preference shares		973,891	—	—	—	—	973,891
Redemption of redeemable convertible preference shares		(229,773)	—	—	—	—	(229,773)
Shares purchased for Share Award Scheme		—	—	(2,986)	—	—	(2,986)
Vesting of shares awarded under Share Award Scheme		—	—	521	(521)	—	—
Transfer of employee share-based compensation reserve upon forfeiture of share options		—	—	—	(651)	651	—
Recognition of equity-settled share-based compensation: share award		—	—	—	1,265	—	1,265
At 31 December 2013		750,842	223	(25,115)	52,092	22,393	800,435

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

42. 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 2013 amounted to approximately HK$825,550,000 (2012: HK$87,034,000).

43. DISPOSAL OF A SUBSIDIARY

	Notes	**2013 HK$'000**	2012 HK$'000
Net assets disposed of:			
Investment property presented as non-current assets classified as held for sale	32	**121,400**	27,800
Gain on disposal of a subsidiary	5	**—**	200
		121,400	28,000
Satisfied by:			
Cash		**121,400**	28,000

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

	2013 HK$'000	2012 HK$'000
Cash consideration and net inflow of cash and cash equivalents in respect of the disposal of the subsidiary	**121,400**	28,000

44. CONTINGENT LIABILITIES

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

	Group		**Company**	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Guarantees given to banks in connection with banking facilities granted to:				
FWIL (note 19)	**540,000**	579,600	**540,000**	579,600
Subsidiaries	**—**	—	**1,353,911**	1,196,230
Undertaking given to a former associate for banking facilities utilised by the former associate	**13,526**	13,526	**13,526**	13,526
	553,526	593,126	**1,907,437**	1,789,356

44. CONTINGENT LIABILITIES *(Continued)*

As at 31 December 2013, 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$832,018,000 (2012: HK$725,546,000) and, in respect of the share attributable to the Group, the banking facilities granted to FWIL guaranteed by the Company were utilised to the extent of approximately HK$540,000,000 (2012: HK$551,400,000).

45. PLEDGES OF ASSETS

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

46. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (notes 15 and 32) 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 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000 (Restated)
Within one year	**80,205**	78,571
In the second to fifth years, inclusive	**42,442**	57,622
	122,647	136,193

(b) As lessee

The Group leases certain of its factory premises and office properties under operating lease arrangements. Leases for these factory premises are generally 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 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000 (Restated)
Within one year	**34,693**	21,430
In second to fifth years, inclusive	**73,207**	67,552
Over five years	**45,525**	49,120
	153,425	138,102

The Company did not have any operating lease commitment as at 31 December 2013 (2012: Nil).

47. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 46(b) above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Contracted but not provided for:		
Land and buildings	**56,304**	93,187
Machinery and equipment	**659**	8,837
Land use rights	**11,901**	11,633
Investment property under construction	**29,775**	5,534
	98,639	119,191
Authorised but not contracted for:		
Property, plant and equipment	**49,889**	48,502

In July 2012, a wholly-owned subsidiary of the Company entered into an agreement for the Acquisition. As detailed in note 2.1, a payment in the amount of HK$249,438,000 was made for partial settlement of the consideration for the Acquisition in 2012 and the balance of the consideration was settled in early 2013.

The Company did not have any capital commitment as at 31 December 2013 (2012: Nil).

48. 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	
		2013	2012
	Notes	**HK$'000**	HK$'000
			(Restated)
Transactions with an associate:			
Interest expense (note 7)	(i)	**(2,269)**	(1,954)
Transactions with related companies#:			
Interest income (note 5)**	(ii)	**3,900**	3,879
Rental income**	(iii)	**5,840**	5,823
Air tickets and travel related services purchased*	(iii)	**(4,282)**	(4,329)
Stock withdrawal fee incurred for Share Award Scheme*	(iii)	**—**	(3)
Interest expense* (note 7)	(iv)	**—**	(4)

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

* The related party transactions also constitute exempted connected transactions or exempted 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.

48. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(i) The interest expense was charged at HIBOR plus 1.15% per annum (2012: HIBOR plus 1.73% per annum) on the outstanding balance of the amount due to FWIL.

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

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

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

(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 44 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, 29, 30, 36 and 37 to the financial statements.

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

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

(e) Upon the completion of the acquisition of the entire issued share capital of Splendor Sheen Limited on 16 January 2013, the entrusted management agreement previously signed by related parties was terminated pursuant to the sale and purchase agreement. The acquisition was regarded as business combination under common control and accordingly, the entrusted management fee expense of HK$47,542,000 recognised in 2012 was eliminated within the group. Further details have been set out in the note 2.1 to the financial statements.

49. 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 **2013**

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)	—	—	71,689	71,689
Trade receivables (note 25)	—	272,180	—	272,180
Financial assets included in prepayments, deposits and other receivables	—	117,095	—	117,095
Due from non-controlling shareholders of subsidiaries (note 29)	—	41,999	—	41,999
Due from a related company (note 30)	—	78,000	—	78,000
Financial assets at fair value through profit or loss (note 27)	65,271	—	—	65,271
Foreign exchange forward contracts (note 28)	14,617	—	—	14,617
Cash and bank balances	—	391,744	—	391,744
	79,888	917,330	71,689	1,068,907

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 (restated)	—	44,338	—	44,338
Due from non-controlling shareholders of subsidiaries (note 29) (restated)	—	35,218	—	35,218
Due from a related company (note 30)	—	78,000	—	78,000
Financial assets at fair value through profit or loss (note 27)	38,089	—	—	38,089
Foreign exchange forward contracts (note 28)	1,464	—	—	1,464
Cash and bank balances	—	255,837	—	255,837
	39,553	615,663	57,381	712,597

49. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group **2013**

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	—	353,155	353,155
Financial liabilities included in other payables and accruals	1,393	377,643	379,036
Interest-bearing bank borrowings (note 35)	—	2,306,061	2,306,061
Due to non-controlling shareholders of subsidiaries	—	56,485	56,485
Due to an associate	—	105,948	105,948
Financial liability included in other-non-current liabilities	956	—	956
	2,349	3,199,292	3,201,641

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 (restated)	—	238,011	238,011
Financial liabilities included in other payables and accruals (restated)	912	350,686	351,598
Interest-bearing bank borrowings (note 35) (restated)	—	1,794,939	1,794,939
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	2,553,456	2,554,984

49. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company **2013**

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)	—	3,081,061	3,081,061
Financial assets included in other receivables	—	2,738	2,738
Financial assets at fair value through profit or loss	31,577	—	31,577
Cash and bank balances	—	20,154	20,154
	31,577	3,103,953	3,135,530

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

49. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company **2013**

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	—	1,194,835	1,194,835
Due to subsidiaries (note 18)	—	1,333,772	1,333,772
Financial liabilities included in other payables	1,393	5,089	6,482
Other non-current liabilities	956	—	956
	2,349	2,533,696	2,536,045

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

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair value of cash and bank balances, trade and bills payables, financial liabilities included in other payables and accruals, the current portion of trade receivables, financial assets included in prepayments, deposits and other receivables, interest-bearing bank borrowings and balances with associates, a related company and non-controlling shareholders of subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the management and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management. The valuation process and results are discussed with the audit committee for annual financial reporting.

The fair values of the financial assets and liabilities are included in the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of trade receivables, financial assets included in prepayments, deposits and other receivables, advance to associates, interest-bearing bank borrowings, advances from non-controlling shareholders of subsidiaries, amount due to an associate and other non-current liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2013 was assessed to be insignificant.

The fair values of listed equity investments and club debentures are based on quoted market prices.

The Group enters into foreign exchange forward contracts with financial institutions. Foreign exchange forward contracts are measured using valuation techniques similar to forward pricing models. The models incorporate various market observable inputs including foreign exchange spot and forward rates. The carrying amounts of foreign exchange forward contracts are the same as their fair values.

At the end of the reporting period, the listed equity investments and club debentures were classified as Level 1 under fair value hierarchy and the foreign exchange forward contracts were classified as Level 2 under fair value hierarchy.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2012: Nil).

51. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

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

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

	Group	
	Change in basis point	**Change in profit before tax**
		HK$'000
2013		
Hong Kong dollar	**50**	**7,806**
RMB	**50**	**2,589**
2012		
Hong Kong dollar	50	4,396
RMB (restated)	50	2,893

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 mainly arises from transactions in Mainland China. The directors consider that the Group's exposure to foreign currency risk in respect of balances denominated in United States dollars to be minimal as the Hong Kong dollar is pegged to the United States dollar.

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 currency rate	**Increase/ (decrease) in profit before tax**
	%	HK$'000
2013		
If Hong Kong dollar weakens against RMB	**5**	**(9,435)**
If Hong Kong dollar strengthens against RMB	**5**	**9,435**
2012		
If Hong Kong dollar weakens against RMB (restated)	5	(10,510)
If Hong Kong dollar strengthens against RMB (restated)	5	10,510

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

Credit risk

The Group trades mainly 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 44 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 56% (2012: 64%) of the Group's trade receivables were due from the Group's five largest customers within the trading and manufacturing segment.

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	**2013**			
	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	**353,155**	**—**	**—**	**353,155**
Other payables	**379,036**	**—**	**—**	**379,036**
Interest-bearing bank borrowings	**1,057,306**	**1,355,899**	**7,161**	**2,420,366**
Due to non-controlling shareholders of subsidiaries	**23,438**	**33,047**	**—**	**56,485**
Due to an associate	**2,151**	**110,250**	**—**	**112,401**
Financial liability included in other non-current liabilities	**—**	**956**	**—**	**956**
	1,815,086	**1,500,152**	**7,161**	**3,322,399**

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

Liquidity risk *(Continued)*

Group

	2012		
	Within 1 year or on demand HK$'000	More than 1 year but less than 5 years HK$'000	Total HK$'000
Trade and bills payables (restated)	238,011	—	238,011
Other payables (restated)	350,686	—	350,686
Interest-bearing bank borrowings (restated)	1,064,971	830,001	1,894,972
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
	1,677,425	983,781	2,661,206

Company

	2013		
	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	**202,181**	**1,070,175**	**1,272,356**
Due to subsidiaries (note 18)	**—**	**1,333,772**	**1,333,772**
Other payables	**6,482**	**—**	**6,482**
Other non-current liabilities	**—**	**956**	**956**
	208,663	**2,404,903**	**2,613,566**

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

51. 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 2013	**High/low 2013**	31 December 2012	High/low 2012
Hong Kong — Hang Seng Index	**23,306**	**24,111/ 19,426**	22,657	22,719/ 18,056

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
2013		
Investments held for trading listed in:		
Hong Kong	**64,036**	**6,404**
Mainland	**1,235**	**124**
2012		
Investments held for trading listed in:		
Hong Kong	36,736	3,674
Mainland	1,353	135

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the two years ended 31 December 2013 and 31 December 2012.

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

Capital management *(Continued)*

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 borrowings less cash and bank balances. Capital includes total equity. The gearing ratios at the end of the reporting periods were as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000 (Restated)
Interest-bearing bank borrowings	**2,306,061**	1,794,939
Less: Cash and bank balances	**(391,744)**	(255,837)
Net debt	**1,914,317**	1,539,102
Capital	**4,663,807**	4,807,812
Capital and net debt	**6,578,124**	6,346,914
Gearing ratio	**29.1%**	24.2%

52. EVENT AFTER THE REPORTING PERIOD

On 18 February 2014, the Company announced that on 17 February 2014, Perennial Success Limited ("Perennial Success"), an indirect wholly-owned subsidiary of the Company, entered into an agreement with Crystal Hub Limited ("Crystal Hub"), a direct wholly-owned subsidiary of SCL, whereby Perennial Success has conditionally agreed to acquire and Crystal Hub has conditionally agreed to sell 40% of the issued share capital of Elite Empire Investments Limited, an indirect wholly-owned subsidiary of SCL holding the interest in a property development project in Shenyang, the People's Republic of China through a wholly-owned subsidiary, at a consideration of HK$600 million. Details of such transaction were set out in the Company's announcement and circular dated 18 February 2014 and 19 March 2014, respectively.

53. COMPARATIVE AMOUNTS

As further explained in note 2.1 to the financial statements, due to the application of AG 5 in the current year, certain retrospective adjustments have been made, certain comparative amounts have been restated to conform with the current year's presentation, and a third consolidated statement of financial position as at 1 January 2012 has been presented. In addition, the comparative consolidated statement of profit or loss and consolidated statement of comprehensive income have been re-presented as if the Acquisition had occurred from the date when the combining entities first came under the control of the substantial shareholder.

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2014.

Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2013 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
創峰塑膠電子製品(北流)有限公司 (note d)	The PRC/ Mainland China	US$1,000,000	100%	Manufacturing of toys
東莞盈峰塑膠電子製品有限公司 (note d)	The PRC/ Mainland China	US$3,000,000	100%	Manufacturing and trading of toys
Eastand Investments Limited	Hong Kong	HK$2	100%	Investment holding
Everwin Toys (Dongguan) Co., Ltd (note d)	The PRC/ Mainland China	HK$64,000,000	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
遼寧長盛置業有限公司(note c)	The PRC/ Mainland China	RMB1,030,000,000	80%	Property investment
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	RMB53,426,450	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	RMB48,093,733	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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
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 Best Enterprises Limited	Hong Kong	HK$1	100%	Investment holding
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
瀋陽萬鴻星匯商業有限公司 (note c)	The PRC/ Mainland China	RMB5,000,000	80%	Property management
Shineway Footwear Limited	Hong Kong	HK$500,000	100%	Trading of shoes
Sino Pioneer International Limited	BVI	US$1	100%	Investment holding
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
Splendor Sheen Limited	BVI	US$2	100%	Investment holding
Spring Joy Industrial Limited	BVI	US$1	100%	Investment holding
Strategic Finance Limited	Hong Kong	HK$2	100%	Provision of financing services
華輝玩具(郁南)有限公司 (note d)	The PRC/ Mainland China	US$7,500,000	100%	Manufacturing of toys
泰美華升(惠州)電子有限公司 (note d)	The PRC/ Mainland China	US$10,000,000	70%	Manufacturing and trading of electronic products

Particulars of Principal Subsidiaries

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Tianjin South China Leather Chemical Products Co. Ltd. (note c)	The PRC/ Mainland China	RMB20,516,500	80%	Manufacturing of leather chemical products
Tianjin South China Leesheng Sporting Goods Co. Ltd. (note c)	The PRC/ Mainland China	RMB10,213,600	80%	Manufacturing of sports products
Tianjin South China Shoes Products Co. Ltd. (note c)	The PRC/ Mainland China	RMB36,100,200	80%	Manufacturing and trading of footwear products
Transmart Company Limited	Hong Kong	HK$2	100%	Investment holding
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
華太玩具(深圳)有限公司 (note d)	The PRC/ Mainland China	US$5,000,000	100%	Manufacturing 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.

Particulars of the Principal Associate

Particulars of the principal associate at 31 December 2013 are as follows:

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

The financial year end of FWIL is 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 2013

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				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
REVENUE	**3,013,518**	2,354,199	3,103,165	2,649,257	1,893,080
PROFIT BEFORE TAX	**317,099**	380,879	377,698	2,165,975	365,288
INCOME TAX EXPENSE	**(33,481)**	(36,053)	(51,519)	(465,955)	(12,789)
PROFIT FOR THE YEAR	**283,618**	344,826	326,179	1,700,020	352,499
ATTRIBUTABLE TO:					
Owners of the company	**285,604**	329,070	306,214	1,087,849	335,588
Non-controlling interests	**(1,986)**	15,756	19,965	612,171	16,911
	283,618	344,826	326,179	1,700,020	352,499

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
TOTAL ASSETS	**8,839,064**	8,299,114	7,901,052	6,692,269	4,144,763
TOTAL LIABILITIES	**(4,175,257)**	(3,491,302)	(3,262,378)	(2,711,323)	(1,939,637)
NON-CONTROLLING INTERESTS	**(483,756)**	(835,094)	(818,728)	(767,407)	(136,195)
	4,180,051	3,972,718	3,819,946	3,213,539	2,068,931

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 Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
(2)	**Mainland China**		
	Various buildings and a land parcel located at No. 28 Yunan North Road No. 2 Shi Zi Qiao Gulou District Nanjing City Jiangsu Province The PRC	87%	Commercial
	A building and a land parcel located at No. 32 Shi Zi Qiao Gulou District Nanjing City Jiangsu Province The PRC	87%	Commercial
	Various buildings and two land parcels located at No. 36 Zhe Fang Road Baixia District Nanjing City Jiangsu Province The PRC	87%	Commercial

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(2)	**Mainland China** *(Continued)*		
	Various buildings 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
	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 a 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

A. INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(2)	**Mainland China** *(Continued)*		
	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
	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 PROPERTY UNDER CONSTRUCTION

Location	Gross floor area	Group's interest	Existing use
Avenue of Stars (previously named as Fortuna Plaza) No. 168 Chaoyang Street Shenhe District Shenyang City Liaoning Province The PRC	112,948 sq.m.	80%	Commercial

C. 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 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%	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

C. INVESTMENT PROPERTIES PRESENTED AS NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

	Location	Gross floor area	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	2,416 sq.ft.	100%	Commercial
	Units 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	2,416 sq.ft.	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	1,434 sq.ft.	100%	Commercial
	The whole of 4th Floor McDonald's Building Nos. 46–54 Yee Wo Street Causeway Bay Hong Kong	2,796 sq.ft.	100%	Commercial
	Unit 14 on 6th Floor Nan Fung Commercial Centre No. 19 Lam Lok Street Kowloon Bay, Kowloon Hong Kong	1,580 sq.ft.	100%	Commercial
	Flats A, B, C and D on 1st Floor Fu Fung Building Nos. 5–7 Tsing Fung Street North Point Hong Kong	2,296 sq.ft.	100%	Commercial
	2nd Floor No. 10A Austin Avenue Tsim Sha Tsui Kowloon Hong Kong	680 sq.ft.*	100%	Commercial

C. INVESTMENT PROPERTIES PRESENTED AS NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

	Location	Gross floor area	Group's interest	Existing use
(1)	**Hong Kong** *(Continued)*			
	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	857 sq.ft.	100%	Commercial

* 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