South China (China) Limited

Incorporated in the Cayman Islands with limited liability

Stock Code : 413

ANNUAL REPORT 2014

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 Directors

Ms. Ng Yuk Mui Jessica
Mr. David Michael Norman

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION & NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Law Albert Yu Kwan

AUDITORS

KPMG
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
A18/F., Asia Orient Tower
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 2014.

FINANCIAL SUMMARY

The Group recorded revenue of HK$3.2 billion and profit after tax of HK$189.6 million for the year ended 31 December 2014, representing an increase of 4.9% and a decrease of 33.1%, respectively, from the corresponding amounts reported in 2013.

DIVIDENDS

The board of directors of the Company (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: 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, namely Wah Shing Toys, Wah Shing Electronics and South China Shoes. The segment recorded a 4.2% increase in revenue to HK$3.0 billion and a 40.2% decrease in operating profit to HK$39.6 million for the year ended 31 December 2014.

During the year ended 31 December 2014, both the toys operations and the shoes operations reported an increase in revenue by 1.0% and 30.6%, respectively, along with the gradual recovery of the economy in the United States. The increase in revenue of the toys operations in the current year was mainly attributable to the increase in sales from new products from our major customers, while the revenue growth from South China Shoes was mainly attributable to increase in sales of branded products to our major customers.

Although Wah Shing Toys achieved record high revenue of HK$2.4 billion with an increment of 3.4% in current year, the profit margin percentage however had been slightly affected by increase in minimum wages in the mainland China and the rising production cost on factory overheads. In the second half of 2013, a new factory in Dongguan Hu Men Town started its operation to shift part of the production to some lower cost region in the mainland China. The production of the new factory has not reached its optimal level in the current year since it is still in its infant stage. In the previous year, the set up cost incurred in the new factory was partially mitigated by the effect of exchange gain in the forward contract.

On the other hand, although Wah Shing Electronics recorded a 24.5% decrease in revenue to HK$160.0 million in 2014, its operating loss reduced by 8.6% compared with 2013 as a result of the cost control in production.

South China Shoes recorded a 30.6% increase in revenue to HK$388.7 million in 2014. Despite the growth in sales volume, there was no significant improvement in the gross profit in dollar term for the reporting period as a result of increase in sales of branded products which had higher quality and workmanship requirements. Higher delivery cost was incurred in order to fulfill order delivery requirement due to production delay leading to an increase in operating loss as compared to the prior year.

Management is exercising various cost control measures to improve cost effectiveness while at the same time focusing on enlarging the customer base and product range from the revenue side. Together with the recovery of the economy of the United States, management believed that there will be rooms for further revenue growth and improvement in operating performance for the trading and manufacturing segment.

Property Investment and Development

The property investment and development segment recorded a 27.0% increase in revenue to HK$129.0 million in the current year. The operating profit increased 41.9% to HK$261.4 million for the year ended 31 December 2014 mainly due to increase in interest income generated from a loan receivable as detailed in note 29 to the financial statements.

The increase in rental income in the current year was mainly attributable to the units at The Centrium, a Grade A commercial building in Hong Kong, were transferred to the Group upon the distribution of the said properties in specie by an associate on 15 September 2014 (the "Distribution"). Details of the Distribution have been disclosed in the announcement of the Company dated 15 September 2014. These rental income, fair value gain from the investment properties and related expenses were taken up directly by the Group instead of being reflected in the share of results from associates after the Distribution. The overall rental income from the Group's investment property portfolio other than the amount attributable to the units at The Centrium, recorded a moderate growth in current year.

The overall fair value gain on investment properties (including the investment property under construction) and investment properties held for sale which included the effect of the fair value gain from the Centrium after we took up the units in September 2014, remained at a similar level as compared with the previous year.

In the second half of the year, we have completed the construction and upgrading renovation work for The Avenue of Stars, a shopping mall located in the prime district in Shenyang. Currently our leasing team is in the tenant recruiting and repositioning stage to reposition the shopping mall to a chic and iconic spot in Shenyang. Finance costs incurred in the borrowings to finance the construction of the shopping mall ceased to capitalize upon completion of the construction, and the selling and administrative expenses in relation to the shopping mall increased along with the preparation cost for the shopping mall.

In April 2014, the Group acquired the 40% issued share capital in Elite Empire Investments Limited ("Elite Empire"), which indirectly holds the development rights in the Dadong District (大東區) property development project and the land use rights in the Southern lot thereof in Shenyang. As detailed in note 29, the Group recognised the investment in Elite Empire as a debt instrument, i.e. a loan receivable. Interest income on the said loan receivable recognized in the current period amounted to HK$104.0 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 strategically continued our effort in expanding the sites areas of our farmland and woodland gradually. During the year ended 31 December 2014, the Group entered into new leases for approximately 17,000 mu of farmland and woodland in Tianjin and Wuhan.

Revenue from the agriculture and forestry segment decreased by 9.0% to HK$16.0 million in 2014 as compared with the corresponding period in 2013. Operating loss before fair value loss on biological assets increased by HK$16.5 million from HK$62.5 million in 2013 to HK$79.0 million in 2014.

During the year, there was an increase in the surrender of land upon land expropriation by the local governments in Xian and Shenyang and an increase in loss from disposal of biological assets due to surrender of land to HK$8.8 million. The Group recorded a 23.0% decrease in write-off of biological assets to HK$18.7 million in 2014. Although the write-off of biological assets due to losses identified in physical count decreased in the current year, the Group vacated certain area at Hebei temporarily in preparation for a change in the plantation plan currently under study. As such, the biological assets on the relevant area were written off. Also, the amortization of prepaid land lease payments attributable to such area was recognized as periodic expense since then. The accrual for the compensation payment to the existing occupants in relation to a land lease newly signed in the current period also resulted in an increase in operating expenses during the year. Operation loss before fair value loss on biological assets increased to HK$79.0 million in 2014 as a result of the above effects.

In addition to the write-off and disposal of biological assets as referred to in the preceding paragraph, a fair value loss of HK$8.5 million was recognised in 2014 as the current year additions to biological assets did not generate a proportionate increase in fair value of the same. The said fair value loss mainly reflects a general decrease in (i) the expected future output of the key species, except for apple, and (ii) the gross margin percentage which were partially mitigated by the decrease in discount rate, which was determined with reference to the available market data. As such, the biological assets balance decreased by 13.2% from HK$124.0 million as at 31 December 2013 to HK$107.7 million as at 31 December 2014. In terms of Renminbi, the biological assets decreased by approximately 11.2% given the lower Renminbi exchange rate as at the current reporting period end date.

On 28 March 2014, the Hong Kong Exchanges and Clearing Limited (the "Exchange") published the report "Review of Disclosure in Issuers' Annual Reports to Monitor Rule Compliance Report 2013" (the "Review Report"). In the Review Report, the Exchange recommended the issuers to provide additional information about agricultural activities, biological assets and the valuations thereof in the annual report. In view of the said recommendations, we set out below the commentary on material fluctuation of biological assets during the financial year ended 31 December 2013, which were not covered in the annual report for the year ended 31 December 2013, for better understanding of the prior year conditions and enhancing the comparability of the current year disclosure with relevant prior year information. Such commentary should be read in conjunction with the annual report for the year ended 31 December 2013.

The commentary on material fluctuation of biological assets with reference to the balances as at 31 December 2013 and 31 December 2012 is as follows:

The quantity of trees decreased 15.0% to 2,835,000 as at 31 December 2013. This is broadly in line with the 13.3% decrease in the fair value of biological assets as at the reporting period end date from 2012 to 2013 in Renminbi term which was re-translated to a 10.0% decrease to approximately HK$124.0 million as at 31 December 2013 given the appreciation of Renminbi in 2013. Although there were increases in market prices of the output of certain species in 2013, they were counteracted by the decrease in market prices of some other species, the increase in discount rate and decrease in estimated profit margin determined with reference to the market comparables in the current reporting period. The decrease in quantity of trees was mainly due to the damage caused by the adverse weather conditions to the various plantations and losses identified in the physical counts, which resulted in a write-off of approximately HK$24.2 million in total, and the surrender of land upon land expropriation by the local governments, which resulted in disposal of biological assets of approximately HK$6.9 million in total. The Group recognized a fair loss on biological assets in 2013 as the additions to biological assets did not generate a proportional increase in fair value of the same.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had a current ratio of 1.0 and a gearing ratio of 26.1% (31 December 2013: 1.0 and 28.2%, respectively). The gearing ratio is computed by comparing the Group's total long-term bank and other borrowings of HK$1.3 billion to the Group's equity of HK$5.0 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 foreign exchange forward contracts to mitigate the exchange rate risk.

CAPITAL STRUCTURE

Except for the issuance of the redeemable convertible preference shares as detailed in note 39 to the financial statements, there was no material change in the Group's capital structure as compared to the 2013 annual report.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiary or associated company save as the followings:

On 17 February 2014, Perennial Success Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (the "Agreement") with Crystal Hub Limited (the "Vendor"), a direct wholly-owned subsidiary of South China Land Limited ("SCL"), to acquire 40% of the issued share capital of Elite Empire, which holds the indirect interest in the development rights in Dadong District (大東區) property development project and the land use rights in the Southern lot thereof through a subsidiary, at a consideration of HK$591.2 million after adjustment for the 40% of the shortfall in unaudited net assets value of Elite Empire and its subsidiaries as at the completion date according to the Agreement as disclosed in the announcement of the Company dated 3 July 2014 (refer to note 29 for details). As detailed in note 29, the Group recognised the investment in Elite Empire as a debt instrument, i.e. a loan receivable. Further details about the abovementioned transaction have been set out in the Company's announcements dated 18 February 2014, 17 April 2014 and 3 July 2014 and circular dated 19 March 2014.

PLEDGE OF ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2014, 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 43 to the financial statements.

Details of the Group's contingent liabilities are set out in note 42 to the financial statements.

INVESTMENTS

For the year ended 31 December 2014, available-for-sale financial assets decreased from HK$71.7 million to HK$71.4 million and financial assets at fair value through profit and loss decreased from HK$65.3 million to HK$46.7 million.

EMPLOYEES

As at 31 December 2014, the total number of employees of the Group was approximately 16,100 (2013: approximately 17,300). Employees' costs (including directors' emoluments) amounted to approximately HK$1,046 million for the year ended 31 December 2014 (2013: approximately HK$1,029 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 scheme and the employee's share award scheme adopted by the Company. Details of the share option scheme and the share award scheme are set out in notes 40 and 39 to the financial statements respectively.

PROSPECTS

Trading and Manufacturing

Riding on the gradual economic recovery in the United States, management holds a positive view on the revenue growth in 2015.

The Group will continue its effort to expand its product range, enlarge its customer base, negotiate with customers in product pricing with a view to reflecting the current cost structure, while at the same time continue to be cost conscious in improving operation efficiency and hence profits. The new factory in Dongguan Hu Men since its commencement in operation in the second half of 2013 will take up more sales orders and more production will be shifted from the higher cost region to this new plant. Management expects operation efficiency will improve after its initial set up stage. With all the above measures, the Group is cautiously optimistic about the performance of the trading and manufacturing of toys segment.

For the shoes division, improvement in sales side had been achieved as a result of the expansion of the sales team during the year. Management will continue its effort on the cost improvement side so as to improve the bottom line.

Property Investment and Development

The Group has a property portfolio with total floor area of approximately 560,000 square metres in Mainland China and 298,000 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. In the mainland China, the Group's principal investment properties are located at the prime locations in Nanjing and Shenyang.

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 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.

During the year, the Group acquired the remaining minority stakes of the non-wholly owned subsidiaries in Nanjing. Details of the transactions have been disclosed in the announcement of the Company dated 28 July 2014. With the completion of the acquisition of all the remaining minority interests in the Nanjing subsidiaries in December 2014, the Group now enjoys the benefits of full control of the Nanjing subsidiaries. In the long run, this will enhance flexibility in decisions about future development and to enjoy the benefits therefrom in full. The Group also sees the hidden strength and value of the site as a large-scale shopping mall should a redevelopment plan is agreed with the local government.

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.

Going forward, with the completion of the revamp of the Avenue of Stars, management believed the shopping mall operations will be one of the Group's key sources of rental income in China in future and together with the Group's existing investment portfolio in Nanjing and Tianjin, all these will provide a stable cash inflow to the Group in the long run.

Meanwhile, the Group will continue to unload its non-core investment properties in Hong Kong in order to reallocate more resources to our businesses in Mainland China.

Agriculture and Forestry

The Group currently has long-term leases of approximately 555,000 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, 30 March 2015

Directors' Biographical Details

EXECUTIVE DIRECTORS

Mr. Ng Hung Sang, aged 65, 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. He is also an executive director and the chairman of South China Financial Holdings Limited ("SCF"), being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and South China Land Limited ("SCL"), being listed on the Growth Enterprise Market of the Stock Exchange. Mr. Ng 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. He was appointed as a Director of the Company on 24 June 1992. Mr. Ng is the father of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company, and Mr. Ng Yuk Fung Peter, an Executive Director of the Company, and a director of certain substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Cheung Choi Ngor, aged 61, is an Executive Director, the Vice-chairman, Chief Executive Officer and a member of the Executive Committee of the Company. Ms. Cheung is also an executive director and a vice-chairman of SCF, being listed on the Main Board of the Stock Exchange and an executive director of SCL, being listed on the Growth Enterprise Market of the Stock Exchange. 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 71, is an Executive Director, the Vice-chairman and a member of the Executive Committee of the Company. Mr. Gorges is also an executive director and the vice-chairman of SCF, being listed on the Main Board of the Stock Exchange and an executive director of SCL, being listed on the Growth Enterprise Market of the Stock Exchange. 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 34, is an Executive Director and a member of the Executive Committee of the Company. He is also an executive director of SCL, being listed on the Growth Enterprise Market of the Stock Exchange. 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 younger brother of Ms. Ng Yuk Mui Jessica, a Non-executive Director of the Company.

Mr. Law Albert Yu Kwan, aged 65, is an Executive Director, the chief financial officer, a member of the Executive Committee and company secretary of the Company and the group chief financial officer of the South China group. He is also an executive director of SCL, being listed on the Growth Enterprise Market of the Stock Exchange. Mr. Law has been the president of the Institute of Accountants in Management since 2007. 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 DIRECTORS

Ms. Ng Yuk Mui Jessica, aged 36, is a Non-executive Director of the Company. Ms. Ng is also a non-executive director of SCL, being listed on the Growth Enterprise Market of the Stock Exchange 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. She 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. Ms. Ng 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.

Mr. David Michael Norman, aged 58, is a Non-executive Director, a member of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company. Mr. Norman is also an independent non-executive director of Guoco Group Limited, being listed on the Main Board of the Stock Exchange and a non-executive director of SCL, being listed on the Growth Enterprise Market of the Stock Exchange. He was formerly a non-executive director of South China Holdings Limited (now renamed as Orient Victory China Holdings Limited), a company listed on the Main Board of the Stock Exchange, until 3 October 2014. Mr. Norman is a solicitor. He studied philosophy and psychology at Oxford University in the United Kingdom and was admitted as a solicitor in the United Kingdom in 1981 and in Hong Kong in 1984 respectively. Mr. Norman was appointed as a Director of the Company on 9 December 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Sin Chun, aged 67, 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 a Director of the Company on 20 August 2001.

Mrs. Tse Wong Siu Yin Elizabeth, aged 57, 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 SCF, being listed on the Main Board of the Stock Exchange. Mrs. Tse was an independent non-executive director of South China Holdings Limited (now renamed as Orient Victory China Holdings Limited), a company listed on the Main Board of the Stock Exchange, from 21 September 2004 to 3 October 2014. 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 a member of Small and Medium Enterprises Committee. She received an award of the Hundred Outstanding Women Entrepreneur in China in 2009. She holds a Bachelor degree in Science from the University of Western Ontario in Canada. Mrs. Tse was appointed as a Director of the Company on 19 October 2004.

Ms. Li Yuen Yu Alice, aged 45, 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 a Director of the Company on 28 September 2004.

Mr. Yip Dicky Peter, J.P., aged 68, 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; an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. and DSG International (Thailand) Public Company Limited, a company listed on the stock exchange of Thailand, respectively. 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 a Director of the Company on 10 December 2012.

Dr. Leung Tony Ka Tung, aged 65, is an Independent Non-executive Director of the Company. He is also an independent non-executive director of SCL, being listed on the Growth Enterprise Market of the Stock Exchange. Dr. Leung has nearly 40 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/PD/PFM) 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 Property Federation, the Honorary Secretary of the Hong Kong Professionals and Senior Executives Association, an 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, an Honorary President of the Hong Kong Guangxi Youth Association and an Honorary President of the Hong Kong Guangxi Chongzuo City Friendship Association. Dr. Leung also holds various positions with HKIS, including the member of Board of Professional Development, Board of Education, CEPA, Community and Charity Service and Public and Social Affairs Committees of HKIS, and serves in the Panel of Expert and as a Chairman of the Planning and Development Division. He is also a member of the Surveyors Registration Board. Dr. Leung was appointed as a Director of the Company on 10 December 2012.

Mr. Lau Lai Chiu Patrick, aged 64, is an Independent Non-executive Director of the Company. He is also an independent non-executive director of SCL, being listed on the Growth Enterprise Market of the Stock Exchange. 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 Land, Rehousing & Compensation Committee of Urban Renewal Authority, a member of the Public Administration Advisory Board, Department of Politics and Public Administration of The University of Hong Kong, a Senior Advisor of the Association of China Trend Studies (HK) and an Honorary Advisor of Construction Professionals' Development Centre. Mr. Lau was appointed as a Director of the Company on 3 March 2013.

Directors' Report

The directors of the Company (the "Directors") submit their report and the audited consolidated financial statements for the year ended 31 December 2014.

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 2014 and state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 152 of this Annual Report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: 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 153 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 13, 14 and 31 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 154 to 160 of this Annual Report.

SHARE CAPITAL

Details of movement in the shares, share options, share awards and redeemable convertible preference shares of the Company during the year are set out in notes 39 and 40 to the financial statements, 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 2014, the trustee of the Company's employees' share award scheme (the "Share Award Scheme") purchased a total of 608,000 shares of the Company at an aggregate consideration of approximately HK$429,000 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 41 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

At 31 December 2014, 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$1,175,917,000.

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

Non-executive Directors:

Ng Yuk Mui Jessica
David Michael Norman (appointed on 9 December 2014)

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

In accordance with Article 116 of the Articles, Mr. Richard Howard Gorges, Mrs. Tse Wong Siu Yin Elizabeth, Mr. Yip Dicky Peter, J.P. and Dr. Leung Tony Ka Tung will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. In accordance with Article 99 of the Articles, Mr. David Michael Norman will retire from office by rotation and, being eligible, offer himself 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., Dr. Leung Tony Ka Tung and Mr. Lau Lai Chiu Patrick for the year ended 31 December 2014 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 to 13 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 2014, 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	185,706,917	1,819,163,413	60.87%
	Interest of spouse	53,500,000		
	Interest of controlled corporations	1,579,956,496 *(Note (a))*		
Ng Yuk Fung Peter ("Mr. Peter Ng")	Beneficial owner	163,344,000	163,344,000	5.47%
Ng Yuk Mui Jessica ("Ms. Jessica Ng")	Beneficial owner	68,280,000	68,280,000	2.28%
Cheung Choi Ngor ("Ms. Cheung")	Beneficial owner	20,000,000	20,000,000	0.67%
Law Albert Yu Kwan ("Mr. Law")	Beneficial owner	952,000 *(Note (b))*	952,000	0.03%

(ii) *Long positions in underlying shares*

Name of Directors	Capacity	Number of underlying ordinary shares	Approximate percentage of shareholding to total issued ordinary shares
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	1,568,000 *(Note (d))*	0.05%

(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 1,579,956,496 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 8,000 shares held by South China Finance And Management Limited ("SCFM"). Fung Shing, Parkfield and Ronastar were all wholly owned by Mr. Ng. Mr. Ng held SCFM indirectly via South China Financial Holdings Limited ("SCF"). SCF was owned as to 37.21% 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 8,000 shares held by SCFM and the 603,535,030 shares held by Bannock and Earntrade.

(b) The 952,000 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, 216,000 shares and 520,000 shares of the Company on 13 April 2011, 19 July 2011 and 30 March 2012, respectively, and such award shares were vested on 31 December 2012, 30 June 2013 and 31 December 2014, respectively.

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

(d) The 1,568,000 underlying shares of the Company held by Mr. Law were the shares awarded to him under the Share Award Scheme. Mr. Law was awarded 1,568,000 shares of the Company on 28 March 2013 with vesting date on 31 December 2015.

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

Save as disclosed above, as at 31 December 2014, none of the Directors or the 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 40 to the financial statements. Certain Directors are entitled to participate in the share option schemes of the Company. Details of the share options granted by the Company to the Directors were set out under the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation" of this report.

EMPLOYEES' SHARE AWARD SCHEME

On 18 March 2011, the Company 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 39 to the financial statements.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

PENSION SCHEMES

Pension schemes of the Group are defined contribution retirement schemes. Details of the defined contribution retirement schemes are set out in note 2.4(y)(i) 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 46 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 2014, 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	1,819,163,413 (*Note (b)*)	60.87%

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 1,579,956,496 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 2014, 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 SCL. He was formerly the chairman, an executive director and the controlling shareholder of South China Holdings Limited ("SCH", now renamed as Orient Victory China Holdings Limited), a company listed on the Main Board of the Stock Exchange, until 3 October 2014.

Both of Ms. Cheung and Mr. Gorges are executive directors of SCL and hold certain corporate interests in SCL jointly with Mr. Ng. Both of them were formerly executive directors of SCH until 3 October 2014.

Mr. Peter Ng is an executive director of SCL with certain shareholding interest in SCL. He was formerly an executive director of SCH until 3 October 2014.

Mr. Law is an executive director of SCL with certain shareholding interest in SCL.

Ms. Jessica Ng is a non-executive director of SCL. She was formerly a non-executive director of SCH until 3 October 2014.

Certain subsidiaries of SCL and SCH (up to around October 2014) 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, Mr. Law and Ms. Jessica Ng 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 SCL and SCH and there is no direct competition amongst the said listed groups during the year.

Save as disclosed above, as at 31 December 2014, none of the Directors or any of their respective associates had any interest in any business which caused or may cause any competition with the business of the Group or any conflicts with the interests of the Group.

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 13.51B(1), the changes in 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 are set out below:

With effect from 3 October 2014, Mr. Ng resigned as the chairman and an executive director of SCH, Ms. Cheung, Mr. Gorges and Mr. Peter Ng resigned as executive directors of SCH. Ms. Jessica Ng resigned as a non-executive director of SCH with effect from 3 October 2014. Mrs. Tse Wong Siu Yin Elizabeth resigned as an independent non-executive director of SCH with effect from 3 October 2014.

With effect from 1 January 2015, Ms. Jessica Ng's director's fee has been adjusted to HK$100,000 per annum, and each of Mr. Chiu Sin Chun, Mrs. Tse Wong Siu Yin Elizabeth and Ms. Li Yuen Yu Alice's director's fee has been adjusted to HK$100,000 per annum, respectively. With effect from 3 October 2014, Mr. Ng has been paid a monthly salary of HK$160,000. With effect from 1 January 2015, the monthly salary of Ms. Cheung has been adjusted to HK$250,000 while that of Mr. Peter Ng and Mr. Law have been adjusted to HK$200,000 respectively.

The total remuneration of Mr. Gorges, an Executive Director of the Company, for the year ended 31 December 2014 amounting to HK$1,270,000 (comprising of director's fees of HK$10,000, salaries of HK$1,200,000 and defined contribution retirement scheme contribution of HK$60,000). From 1 May 2014, Mr. Gorges has been entitled to an annual salary of HK$1,800,000, in addition to director's fees at HK$10,000 per annum. He is entitled to the Company's contribution in full on the part of the Company under the defined contribution retirement scheme, as his reckonable years of services with his former employer were counted as his reckonable years of services with the Company. Mr. Gorges' salary was determined by reference to his duties, experience and involvement, and the recognition of his long service rendered to the Group. Due to an inadvertent oversight, such a change of director's remuneration was not included in the Company's Interim Report for the six months ended 30 June 2014 as required under Rule 13.51B(1) of the Listing Rules.

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 Listing Rules are set out on pages 25 to 31 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 27 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 46 to the financial statements.

CONNECTED TRANSACTIONS

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

(1) On 25 July 2014, South China Strategic Limited, an indirect wholly-owned subsidiary of the Company, as the transferee, entered into the equity transfer agreements with Nanjing Machinery & Electronics Industrial (Group) Co., Ltd* (南京機電產業(集團)有限公司), as the transferor, and Nanjing Assets and Equity Exchange (南京產權交易中心), as the witness, for the acquisition of all the minority stakes in 南京微分電機有限公司, 南京電力電容器有限公司 and 南京液壓件二廠有限公司 at the total consideration of RMB34.9 million. The transferor was a connected person of the Company. Details of the transactions were disclosed in the announcements of the Company dated 18 July 2014 and 28 July 2014, respectively.

* For identification purposes only

(2) On 24 April 2014, South China Industries (BVI) Limited, a direct wholly-owned subsidiary of the Company, as purchaser, entered into a deed (the "Deed") with SCF, as vendor, and Intercourt Investments Limited (the "Target Company") whereby the purchaser had agreed to purchase and the vendor had agreed to sell the 2 ordinary shares in the capital of the Target Company, respecting all the shares in the issued share capital of the Target Company (the "Sale Shares"), and the amount of HK$4,552,704 owned by the Target Company to the vendor immediately before the completion of the transactions contemplate under the Deed (the "Transactions") at an aggregate consideration of HK$4,552,705 upon and subject to the terms and conditions set out in the Deed. Mr. Ng and his associates were the controlling group of shareholders in the Company and SCF. Therefore the Transactions constituted connected transactions for the Company and SCF. Details about the Transactions were disclosed in the announcement of the Company dated 25 April 2014.

(3) On 17 February 2014, Perennial Success Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, and Crystal Hub Limited (the "Vendor"), a direct wholly-owned subsidiary of SCL, entered into the sales and purchase agreement (the "Agreement") whereby the Purchaser had agreed to purchase and the Vendor had agreed to sell 40% of the issued share capital of Elite Empire Investments Limited (the "Sale") for a total consideration of HK$600 million subject to terms and conditions of the Agreement. Under the Agreement, SCL provided the Company a counter guarantee (subject to a limit of liability), the Purchaser granted a call option to the Vendor and the Vendor granted a put option to the Purchaser by entering into certain agreements (collectively with the Sale, the "Transactions"). Mr. Ng and his associates were connected persons of each of the Company and SCL. Details about the Transactions were set out in the Company's announcements dated 18 February 2014 and 17 April 2014 and circular dated 19 March 2014.

(4) On 11 February 2014, Phipnic Investments Limited, an indirect wholly-owned subsidiary of the Company, as the lender entered into a loan agreement with Wealth Box Investments Limited, an indirect wholly-owned subsidiary of SCL, as the borrower, in the relation to provision of a loan for the sum of HK$78 million to refinance the principal of HK$78 million under the loan agreement dated 15 March 2011 for three years at prime lending rate charged from time to time by The Hongkong and Shanghai Banking Corporation Limited. Mr. Ng was a connected person of each of the Company and SCL. Details of the transaction were disclosed in the announcement of the Company dated 11 February 2014.

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 30 December 2013, the tenancy agreement dated 12 December 2011 between First City Limited, an indirect wholly-owned subsidiary of the Company, as the landlord and Hong Kong Four Seas Tours Limited, a company indirectly wholly-owned by Mr. Ng (which was formerly an indirect wholly-owned subsidiary of SCH), as the tenant for the premise at 1/F, On Lok Yuen Building, 25, 27 and 27A Des Voeux Road Central, Hong Kong was renewed at a monthly rental of HK$129,504 for two years from 1 January 2014 to 31 December 2015. Mr. Ng was a connected person of each of the Company and SCH. Details of the above transaction were disclosed in the announcement of the Company dated 30 December 2013.

(2) On 30 December 2013, Glorious Dragon Investments Limited, an indirect wholly-owned subsidiary of the Company, as the landlord entered into a tenancy agreement with Four Seas Tours Limited, a company indirectly non-wholly owned by Mr. Ng (which was formerly an indirect wholly-owned subsidiary of SCH), as the tenant for the premise at 2/F, On Lok Yuen Building, 25, 27 and 27A Des Voeux Road Central, Hong Kong at a monthly rental of HK$126,096 for two years from 1 January 2014 to 31 December 2015. Mr. Ng was a connected person of each of the Company and SCH. Details of the above transaction were disclosed in the announcement of the Company dated 30 December 2013.

(3) On 30 December 2013, the tenancy agreements dated 29 December 2011 between Copthorne Holdings Corp. ("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 Unit B 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 at an aggregate monthly rental of HK$215,505 for two years from 1 January 2014 to 31 December 2015. Both Mr. Ng and South China Media Management Limited were connected persons of the Company. Details of the above transactions were disclosed in the announcement of the Company dated 30 December 2013.

(4) On 25 June 2013, the tenancy agreement dated 31 May 2011 between Copthorne, an indirect wholly-owned subsidiary of the Company, as the landlord and Jessicacode Management Limited, 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. Both Mr. Ng and Jessicacode Management Limited were connected persons of the Company. Details of the above transaction were disclosed in the announcement of the Company dated 25 June 2013.

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 Group;

(2) on normal commercial terms or better; and

(3) according to the 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.56 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. and a Non-executive Director, namely Mr. David Michael Norman.

The Group's annual results for the year ended 31 December 2014 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 2014, the sales to the Group's five largest customers accounted for 62.8% of the total sales and the sales to the largest customer included therein amounted to 32.4%. Purchases from the Group's five largest suppliers accounted for 9.5% of the total purchases and purchases from the largest supplier included therein accounted for 2.5% 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.

AUDITORS

Messrs. Ernst & Young ("EY") resigned as the auditors of the Company and its subsidiaries with effect from 14 January 2015 and KPMG has been appointed as the auditors of the Company and its subsidiaries following the resignation of EY as the auditors of the Company. KPMG will hold office until the conclusion of the next annual general meeting of the Company.

KPMG 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, 30 March 2015

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 2014 except that Mr. Ng Hung Sang, the Chairman and an Executive Director of the Company, was unable to attend the annual general meeting of the Company held on 10 June 2014 since he had other business engagements, which deviated from code provision E.1.2.

BOARD COMPOSITION AND BOARD PRACTICES

As at 31 December 2014, the Board consisted of 13 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, two Non-executive Directors 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 13 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 Company has adopted a board diversity policy setting out the approach to achieve diversity of the Board. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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 2014:

	Attendance
Executive Directors	
Ng Hung Sang (*Chairman*)	0/4
Cheung Choi Ngor (*Vice-chairman and Chief Executive Officer*)	2/4
Richard Howard Gorges (*Vice-chairman*)	4/4
Ng Yuk Fung Peter	1/4
Law Albert Yu Kwan	4/4
Non-executive Directors	
Ng Yuk Mui Jessica	2/4
David Michael Norman (appointed on 9 December 2014)	1/1
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	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 2014.

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 daily cash operations 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 Auditor's Report on pages 32 and 33 of this Annual Report.

AUDITORS' REMUNERATION

For the year ended 31 December 2014, the Auditors of the Company received approximately HK$2,794,000 for audit services and 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 2014, 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		✓
Non-executive Directors		
Ng Yuk Mui Jessica		✓
David Michael Norman (appointed on 9 December 2014)		✓
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		✓

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. and a Non-executive Director, namely Mr. David Michael Norman.

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 2014 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.

	Attendance
Li Yuen Yu Alice	3/3
Chiu Sin Chun	3/3
Tse Wong Siu Yin Elizabeth	3/3
Yip Dicky Peter	3/3
David Michael Norman (appointed on 9 December 2014)	1/1

The Audit Committee reviewed the Group's annual results for the year ended 31 December 2014, 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. and a Non-executive Director, namely Mr. David Michael Norman.

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 reviewing the structure, size and diversity of the Board, identify suitably qualified Board candidates, determine the remuneration packages of individual Executive Directors and senior management (if any) and make recommendations to the Board on the remuneration of Non-executive Directors and the remuneration policy and structure.

The Remuneration and Nomination Committee met once in 2014 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
David Michael Norman (appointed on 9 December 2014)	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 or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

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 ("EGM") 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 EGM and AGM held in 2014 is set out below:

	EGM (10 April 2014)	AGM (10 June 2014)
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	✓	✓
Non-Executive Directors		
Ng Yuk Mui Jessica	✗	✗
David Michael Norman (appointed on 9 December 2014)	N/A	N/A
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	✓	✓

CHANGES IN THE COMPANY'S CONSTITUTIONAL DOCUMENTS

At the EGM held on 10 April 2014, special resolutions for the amendments to the Company's memorandum and articles of association ("M&AA") were approved by the shareholders of the Company. The amendments principally reflected the initial conversion price per convertible preference share may not be linked with HK$0.57 (as stipulated in the previous M&AA). In addition, certain amendments brought the M&AA in line with the recent amendments made to the Companies Law in the Cayman Islands.

Independent Auditor's Report

Independent auditor's 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 34 to 152, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This 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 auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group’s profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong

30 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014 (*Expressed in Hong Kong dollars*)

	Note	2014 $'000	2013 $'000
Revenue	4 & 5	**3,159,789**	3,013,518
Cost of sales		**(2,775,914)**	(2,630,038)
Gross profit		**383,875**	383,480
Other income and gains, net	5	**144,868**	52,015
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		**133,348**	132,156
Fair value loss on biological assets	19	**(8,489)**	(14,890)
Fair value (loss)/gain on financial assets at fair value through profit or loss		**(4,840)**	22,522
Fair value (loss)/gain on foreign exchange forward contracts		**(1,158)**	3,421
Gain on disposal of an investment property presented as non-current assets classified as held for sale		**—**	2,270
Write-off of biological assets	19	**(18,656)**	(24,217)
Selling and distribution expenses		**(77,646)**	(61,375)
Administrative expenses		**(408,812)**	(379,292)
Equity-settled share award expense		**(2,127)**	(2,500)
Profit from operations		**140,363**	113,590
Finance costs	7	**(94,298)**	(51,336)
Share of profits and losses of associates		**176,258**	254,905
Impairment of advances to an associate	18	**(22)**	(60)
Profit before tax	6	**222,301**	317,099
Income tax	10	**(32,660)**	(33,481)
Profit for the year		**189,641**	283,618
Attributable to:			
Equity shareholders of the Company		**198,903**	285,604
Non-controlling interests		**(9,262)**	(1,986)
		189,641	283,618
Earnings per share	12		
Basic		**HK6.7 cents**	HK9.7 cents
Diluted		**HK4.3 cents**	HK6.4 cents

The notes on pages 44 to 152 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014 *(Expressed in Hong Kong dollars)*

	2014 $'000	2013 $'000
Profit for the year	**189,641**	283,618
Other comprehensive income (after tax and reclassification adjustments)		
Items that will not be reclassified to profit or loss:		
Surplus on revaluation of property, plant and equipment upon transfer to investment properties	**315**	—
Items that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets:		
— Changes in fair value	**(272)**	15,997
— Reclassification adjustment for gain on disposal included in the consolidated statement of profit or loss	—	(1,114)
	(272)	14,883
Reclassification adjustment for exchange reserve realised on deregistration of subsidiaries	—	1,227
Exchange differences on translation of operations outside Hong Kong	**(76,792)**	122,242
Share of other comprehensive income of associates	**(271)**	435
Other comprehensive income for the year	**(77,020)**	138,787
Total comprehensive income for the year	**112,621**	422,405
Attributable to:		
Equity shareholders of the Company	**134,848**	404,405
Non-controlling interests	**(22,227)**	18,000
	112,621	422,405

The notes on pages 44 to 152 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2014 (*Expressed in Hong Kong dollars*)

	Note	**As at 31 December 2014 $'000**	As at 31 December 2013 $'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**225,507**	242,424
Investment properties	14	**6,498,488**	1,765,795
Investment property under construction	14	**—**	3,162,809
Prepaid land lease payments	15	**98,019**	90,559
Construction in progress	16	**131,922**	127,770
Investments in associates	18	**16,281**	1,348,694
Biological assets	19	**107,659**	123,962
Available-for-sale financial assets	20	**71,417**	71,689
Other non-current assets		**15,638**	15,638
Prepayments and deposits	21	**18,851**	18,967
Goodwill	22	**3,171**	3,219
Total non-current assets		**7,186,953**	6,971,526
CURRENT ASSETS			
Inventories	23	**363,604**	405,875
Trade receivables	24	**416,047**	272,180
Prepayments, deposits and other receivables	25	**136,013**	132,877
Financial assets at fair value through profit or loss	26	**46,696**	65,271
Foreign exchange forward contracts	27	**1,011**	14,617
Amounts due from non-controlling shareholders of subsidiaries	28	**41,236**	41,999
Amounts due from affiliates	28	**110,765**	78,000
Loan receivable	29	**695,228**	—
Tax recoverable		**27,766**	20,459
Cash and bank balances	30	**319,898**	391,744
		2,158,264	1,423,022
Non-current assets classified as held for sale	31	**821,000**	449,069
Total current assets		**2,979,264**	1,872,091
CURRENT LIABILITIES			
Trade payables	32	**373,144**	353,155
Other payables and accruals	33	**468,017**	416,678
Interest-bearing bank borrowings	34	**2,038,507**	991,136
Foreign exchange forward contracts	27	**3,588**	—
Amounts due to non-controlling shareholders of subsidiaries	35	**937**	23,438
Amount due to an affiliate		**—**	4,553
Tax payable		**44,557**	36,334
Total current liabilities		**2,928,750**	1,825,294
NET CURRENT ASSETS		**50,514**	46,797
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,237,467**	7,018,323

	Note	**As at 31 December 2014 $'000**	As at 31 December 2013 $'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	34	**1,314,135**	1,314,925
Advances from non-controlling shareholders of subsidiaries	36	**7,941**	33,047
Amount due to an associate	18	**—**	105,948
Other non-current liabilities	37	**78,174**	89,742
Deferred tax liabilities	38	**803,562**	810,854
Total non-current liabilities		**2,203,812**	2,354,516
NET ASSETS		**5,033,655**	4,663,807
CAPITAL AND RESERVES			
Share capital	39	**95,655**	86,832
Reserves	41(a)	**4,557,570**	4,093,219
Total equity attributable to equity shareholders of the Company		**4,653,225**	4,180,051
Non-controlling interests		**380,430**	483,756
TOTAL EQUITY		**5,033,655**	4,663,807

Approved and authorised for issue by the board of directors on 30 March 2015

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

The notes on pages 44 to 152 form part of these financial statements.

Statement of Financial Position

As at 31 December 2014 *(expressed in Hong Kong dollars)*

	Note	**2014 $'000**	2013 $'000
Non-current asset			
Investments in subsidiaries	17	**4,149,875**	3,368,843
Current assets			
Other receivables	25	**2,777**	2,738
Financial assets at fair value through profit or loss	26	**34,533**	28,386
Foreign exchange forward contracts	27	**1,011**	3,191
Cash and bank balances	30	**23,328**	20,154
Total current assets		**61,649**	54,469
Current liabilities			
Other payables	33	**12,540**	6,482
Interest-bearing bank borrowings	34	**853,671**	155,985
Total current liabilities		**866,211**	162,467
Net current liabilities		**(804,562)**	(107,998)
Total assets less current liabilities		**3,345,313**	3,260,845
Non-current liabilities			
Interest-bearing bank borrowings	34	**754,450**	1,038,850
Amounts due to subsidiaries	17	**1,343,328**	1,333,772
Other non-current liabilities	37	**406**	956
Total non-current liabilities		**2,098,184**	2,373,578
NET ASSETS		**1,247,129**	887,267
CAPITAL AND RESERVES			
Share capital	39	**95,655**	86,832
Reserves	41(d)	**1,151,474**	800,435
TOTAL EQUITY		**1,247,129**	887,267

Approved and authorised for issue by the board of directors on 30 March 2015

Cheung Choi Ngor
Director

Richard Howard Gorges
Director

The notes on pages 44 to 152 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2014 (*Expressed in Hong Kong dollars*)

		Attributable to equity shareholders of the Company																
		Share capital																
	Note	Ordinary shares $'000	Redeemable convertible preference shares $'000	Share premium $'000	Contributed surplus $'000	Capital redemption reserve $'000	Merger reserve $'000	Land and buildings revaluation reserve $'000	Available-for-sale financial assets revaluation reserve $'000	PRC statutory reserves $'000	Shares held for Share Award Scheme $'000	Employee share-based compensation reserve# $'000	Goodwill reserve $'000	Exchange reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2013																		
As previously reported		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
Adjusted for common control combination*	2.1	—	—	—	—	—	—	—	—	—	—	—	—	—	(10)	(10)	(7)	(17)
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	3,282,440	3,972,708	835,087	4,807,795
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	20	—	—	—	—	—	—	—	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 operations outside Hong Kong		—	—	—	—	—	—	—	—	—	—	—	—	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	39 & 41	—	35,414	973,891	—	—	—	—	—	—	—	—	—	—	—	1,009,305	—	1,009,305
Redemption of redeemable convertible preference shares	39 & 41	—	(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		—	—	—	—	—	—	—	—	—	—	—	—	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)	—	—	—	—	—	—	—	—	—	—	—
Waiver of loan to the subsidiary acquired in the common control combination from its former holding company*		—	—	—	17	—	—	—	—	—	—	—	—	—	(7)	10	7	17
Shares purchased for Share Award Scheme	39	—	—	—	—	—	—	—	—	—	(2,986)	—	—	—	—	(2,986)	—	(2,986)
Vesting of shares awarded under Share Award Scheme	39	—	—	—	—	—	—	—	—	—	521	(521)	—	—	—	—	—	—
Transfer of employee share-based compensation reserve upon lapse 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	508,172	223	(1,603,030)	68,040	54,096	10,965	(25,115)	52,092	(3,067)	378,277	3,901,724	4,180,051	483,756	4,663,807

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2014 (*Expressed in Hong Kong dollars*)

		Attributable to equity shareholders of the Company																
		Share capital																
	Note	Ordinary shares $'000	Redeemable convertible preference shares $'000	Share premium $'000	Contributed surplus $'000	Capital redemption reserve $'000	Merger reserve $'000	Land and buildings revaluation reserve $'000	Available-for-sale financial assets revaluation reserve $'000	PRC statutory reserves $'000	Shares held for Share Award Scheme $'000	Employee share-based compensation reserve# $'000	Goodwill reserve $'000	Exchange reserve $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2014																		
As previously reported		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
Adjusted for common control combination*	2.1	—	—	—	17	—	—	—	—	—	—	—	—	—	(17)	—	—	—
As restated		59,773	27,059	750,842	508,172	223	(1,603,030)	68,040	54,096	10,965	(25,115)	52,092	(3,067)	378,277	3,901,724	4,180,051	483,756	4,663,807
Profit for the year		—	—	—	—	—	—	—	—	—	—	—	—	—	198,903	198,903	(9,262)	189,641
Other comprehensive income for the year:																		
Surplus on revaluation	13	—	—	—	—	—	—	315	—	—	—	—	—	—	—	315	—	315
Change in fair value of available-for-sale financial assets	20	—	—	—	—	—	—	—	(272)	—	—	—	—	—	—	(272)	—	(272)
Exchange differences on translation of operations outside Hong Kong		—	—	—	—	—	—	—	—	—	—	—	—	(63,827)	—	(63,827)	(12,965)	(76,792)
Share of other comprehensive income of associates		—	—	—	—	—	—	—	—	—	—	—	—	(271)	—	(271)	—	(271)
Total comprehensive income for the year		—	—	—	—	—	—	315	(272)	—	—	—	—	(64,098)	198,903	134,848	(22,227)	112,621
Issuance of redeemable convertible preference shares	39 & 41	—	8,823	291,177	—	—	—	—	—	—	—	—	—	—	—	300,000	—	300,000
Acquisition of non-controlling interests	50	—	—	—	—	—	—	—	—	—	—	—	—	—	37,520	37,520	(81,099)	(43,579)
Shares purchased for Share Award Scheme	39	—	—	—	—	—	—	—	—	—	(429)	—	—	—	—	(429)	—	(429)
Vesting of shares awarded under Share Award Scheme	39	—	—	—	—	—	—	—	—	—	1,101	(852)	—	—	(249)	—	—	—
Transfer of employee share-based compensation reserve upon lapse of shares awarded and share options		—	—	—	—	—	—	—	—	—	—	(764)	—	—	764	—	—	—
Recognition of equity-settled share-based compensation: share award		—	—	—	—	—	—	—	—	—	—	1,235	—	—	—	1,235	—	1,235
At 31 December 2014		59,773	35,882	1,042,019	508,172	223	(1,603,030)	68,355	53,824	10,965	(24,443)	51,711	(3,067)	314,179	4,138,662	4,653,225	380,430	5,033,655

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.

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

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

The notes on pages 44 to 152 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014 *(Expressed in Hong Kong dollars)*

	Note	**2014 $'000**	2013 $'000 (Restated)
Profit before tax		**222,301**	317,099
Adjustments for:			
Finance costs	7	**94,298**	51,336
Share of profits and losses of associates		**(176,258)**	(254,905)
Interest income	5	**(108,434)**	(4,522)
Gain on disposal of items of property, plant and equipment	5	**(128)**	(1,122)
Gain on disposal of an investment property presented as non-current assets classified as held for sale		**—**	(2,270)
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	**(9,875)**	(171)
Loss on disposal of biological assets	5	**8,783**	719
Revaluation adjustment of investment properties upon distribution in species by an associate		**8,880**	—
Loss on deregistration of subsidiaries	5	**—**	1,227
Write-back of other payables	5	**(13,587)**	(1,006)
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		**(133,348)**	(132,156)
Fair value loss/(gain) on financial assets at fair value through profit or loss		**4,840**	(22,522)
Fair value loss/(gain) on foreign exchange forward contracts	6	**6,694**	(21,767)
Fair value loss on biological assets	19	**8,489**	14,890
Decrease in biological assets due to harvest	6	**2,949**	955
Equity-settled share award expense		**2,127**	2,500
Impairment of advances to an associate	18	**22**	60
Impairment loss on trade receivables, net	6	**1,011**	1,858
Impairment loss on other receivables	5	**9,804**	—
Impairment loss on property, plant and equipment	5	**275**	—
Write-off of other receivables	6	**57**	2,947
Provision for/(reversal of provision for) inventories, net	6	**13,593**	(8,573)
Write-off of biological assets	19	**18,656**	24,217
Depreciation	6	**46,694**	44,842
Amortisation of prepaid land lease payments	6	**33,463**	23,657
Changes in working capital:			
Decrease/(increase) in inventories		**27,235**	(55,929)
Increase in trade receivables		**(145,353)**	(88,934)
Decrease in prepayments, deposits and other receivables		**1,321**	190,657
Increase in trade payables		**21,978**	112,311
Increase in other payables and accruals		**57,276**	11,462
Severance payment paid		**(474)**	(3,584)
Cash generated from operations		**3,289**	194,089
Hong Kong Profits Tax paid		**(13,123)**	(7,826)
The People's Republic of China ("PRC") enterprise income tax paid		**(7,865)**	(10,194)
Net cash (used in)/generated from operating activities		**(17,699)**	176,069

Consolidated Cash Flow Statement

For the year ended 31 December 2014 (*Expressed in Hong Kong dollars*)

	Note	**2014** **$'000**	2013 $'000 (Restated)
Cash flows from investing activities			
Purchases of items of property, plant and equipment	13	**(33,839)**	(52,052)
Additions to investment properties and investment property under construction	14(a)&(b)	**(39,264)**	(24,736)
Additions to prepaid land lease payments	15	**(65,010)**	(45,919)
Additions to construction in progress	16	**(5,186)**	(6,344)
Additions to biological assets		**(11,671)**	(5,786)
Purchases of financial assets at fair value through profit or loss		**(11,897)**	(5,763)
Advances to an associate		**(22)**	(60)
Interest received		**4,423**	4,522
Proceeds from disposal of financial assets at fair value through profit or loss		**34,150**	524
Proceeds from disposal of an investment property presented as non-current assets classified as held for sale		**—**	115,270
Proceeds from disposal of a subsidiary		**—**	121,400
Proceeds from disposal of available-for-sale financial assets and other non-current assets		**—**	10,790
Proceeds from disposal of biological assets		**2,371**	6,194
Proceeds from settlement of foreign exchange forward contracts		**10,498**	8,614
Proceeds from disposal of items of property, plant and equipment		**810**	1,889
Payment of purchase consideration for acquisition of subsidiaries		**(4,553)**	(330,562)
Increase in amounts due from affiliates		**(32,765)**	—
Capital injection into an associate		**(433,746)**	—
Payment for loan receivable		**(291,217)**	—
Dividend income from associates		**74,666**	31,500
Net cash used in investing activities		**(802,252)**	(170,519)

	Note	2014 $'000	2013 $'000 (Restated)
Cash flows from financing activities			
New bank loans		**2,314,912**	2,129,940
Repayment of bank loans		**(1,268,401)**	(1,738,458)
Repayment of amount due to an associate		**(106,931)**	(12,900)
(Decrease)/increase in trust receipt loans		**(13,972)**	110,551
Interest and other borrowing costs paid		**(109,248)**	(127,902)
Increase in restricted bank deposits	30	**(8,373)**	(19,353)
Redemption of redeemable convertible preference shares	39	**—**	(238,128)
Advances from the vendor in the common control combination accounted for by merger accounting		**—**	4,001
Decrease in amounts due to non-controlling shareholders, net		**(32,447)**	(5,034)
Payment to non-controlling shareholders for purchase of additional interest in subsidiaries	50	**(43,579)**	—
Purchase of shares held for Share Award Scheme	39	**(429)**	(2,986)
Net cash generated from financing activities		**731,532**	99,731
Net (decrease)/increase in cash and cash equivalents		**(88,419)**	105,281
Cash and cash equivalents at beginning of year		**349,968**	241,715
Effect of foreign exchange rate changes, net		**(2,454)**	2,972
Cash and cash equivalents at end of year		**259,095**	349,968
Analysis of balances of cash and cash equivalents			
Cash and bank balances	30	**319,898**	391,744
Less: Restricted bank deposits	30	**(27,726)**	(19,353)
Bank overdrafts	34	**(33,077)**	(22,423)
Cash and cash equivalents as stated in the consolidated cash flow statement		**259,095**	349,968

The notes on pages 44 to 152 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars)

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, PO 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 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below. These financial statements are presented in Hong Kong dollars and all figures are rounded to the nearest thousand ("HK$'000") unless otherwise indicated.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2.2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

2.1 STATEMENT OF COMPLIANCE *(Continued)*

Basis of preparation of the financial statements *(Continued)*

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— investment properties;

— biological assets;

— financial assets at fair value through profit or loss;

— derivative financial instruments; and

— certain available-for-sale financial assets.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2.4(i)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

Common control combination

On 24 April 2014, South China Financial Holdings Limited ("SCFH"), as vendor, entered into a deed with South China Industries (BVI) Limited ("SCI"), a direct wholly-owned subsidiary of the Company, as purchaser, whereby SCFH has agreed to sell and SCI has agreed to purchase the entire issued share capital of Intercourt Investments Limited ("Intercourt Investments") for $1 and the sale debt, being the amount of approximately $4,553,000 owed by Intercourt Investments to SCFH immediately before completion of the transaction pursuant to the abovementioned deed, for approximately $4,553,000 (the "Acquisition"). The Acquisition was completed on 24 April 2014. SCFH and the Company are ultimately controlled by the substantial shareholder of the Company. Details of the Acquisition were disclosed in the announcement of the Company dated 24 April 2014.

2.1 STATEMENT OF COMPLIANCE *(Continued)*

Common control combination *(Continued)*

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 Accounting Guideline 5, *Merger Accounting for Common Control Combinations* ("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 assumed 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.

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 Intercourt Investments. The effect of such common control combination on the consolidated financial statements are summarised below:

Consolidated statement of financial position

	As at 31 December 2013 $'000
Increase in prepayments, deposits and other receivables and increase in total current assets	4,553
Increase in amount due to an affiliate and increase in total current liabilities	(4,553)
Change in net assets	—
Increase in contributed surplus	17
Decrease in retained profits	(17)
Change in total equity	—

The common control combination had no impact on the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013.

For the financial effect of the above transaction on the consolidated statement of financial position as at 1 January 2013, except that there was an increase in amount due to an affiliate and increase in total current liabilities by $17,000, a decrease in retained profits by $10,000 and a decrease in non-controlling interests by $7,000, all other figures in the consolidated statement of financial position as at 1 January 2013 remained unchanged. In view of the above, the financial effect of the common control combination transaction was not material to the Group and no restated consolidated statement of financial position as at 1 January 2013 was presented.

(Expressed in Hong Kong dollars)

2.2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

— Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

— Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

— Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

— Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

— HK(IFRIC) 21, *Levies*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2.3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, *Defined benefit plans: Employee contributions*	1 July 2014
Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to HKAS 16 and HKAS 41, *Agriculture: Bearer plants*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application, and is not yet in a position to conclude whether the adoption of them will have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 2.4(p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2.4(m)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2.4(b)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2.4(e)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2.4(i)).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Investments in associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

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 (see note 2.4(o)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2.4(i)).

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 statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change in net assets recognised directly in the equity of the associate, the Group recognises its share of any changes in net assets, 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.

(c) Business combinations and goodwill

Business combinations, other than combinations of businesses under common control, 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 and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

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.

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2.4(v). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2.4(v).

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and the 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 the consideration transferred, the amount recognised for non-controlling interests and the fair value the Group's previously held equity interests in the acquiree 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)*

(c) 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.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units). 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.

(d) Fair value measurement

The Group measures its investment properties, investment property under construction, available-for-sale financial assets, financial assets at fair value through profit or loss and derivative financial instruments 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Fair value measurement *(Continued)*

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

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.

(e) Impairment of non-financial assets

Where an indication of impairment exist for property, plant and equipment, prepaid land lease payments, construction in progress, goodwill and investments in subsidiaries in the Company's statement of financial position, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment. 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.

An assessment is made in respect of assets other than goodwill 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(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).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(g) 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.

(Expressed in Hong Kong dollars)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Certain land and buildings are stated in the consolidated 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 were carried at revalued amounts in the financial statements relating to periods ended before 30 September 1995 are not required to be revalued regularly. Accordingly, no revaluation of land and buildings is carried out subsequent to 30 September 1995. In previous years, the revaluation surplus 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) 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.

(i) 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 deferred tax assets, financial assets (other than investments in subsidiaries and associates) and 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.

(j) Biological assets

Biological assets are measured on initial recognition and at each financial year end at their fair value less costs to sell. The fair value is determined based on the present value of expected net cash flows discounted at a current market-determined pre-tax rate.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) 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 selling price that the Group can obtain from selling such inventories in the market on an arm's length basis.

(l) 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Investments and other financial assets

(i) *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 for which attributable transaction costs are recognised in profit or loss as incurred.

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, advances 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 affiliates.

(ii) *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.

(iii) *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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Investments and other financial assets *(Continued)*

(iv) *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 financial assets 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 financial assets 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.

For a financial asset classified as available-for-sale that would have met the definition of loans and receivables (if it had not been designated as available-for-sale), the Group may reclassify these financial assets as loans and receivables 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)*

(n) 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.

(o) 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.

(i) *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)*

(o) Impairment of financial assets *(Continued)*

(i) *Financial assets carried at amortised cost* (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.

(ii) *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.

(iii) *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 reclassified 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 reclassified 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)*

(o) Impairment of financial assets *(Continued)*

(iv) *Investments in associates*

For investments in associates accounted for under the equity method in the consolidated financial statements (see note 2.4(b)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2.4(e). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2.4(e).

(v) *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2.4(o)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(p) Financial liabilities

(i) *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings.

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 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.

(ii) *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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Financial liabilities *(Continued)*

(iii) *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.

(q) 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.

(r) 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.

(s) Derivative financial instruments

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.

(t) 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, 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.

(v) Provisions and contingent liabilities

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 expenditure 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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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.

(w) Income tax

Income tax comprises current and deferred taxes. 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 jurisdictions 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Income tax *(Continued)*

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, 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, and unused tax credits and unused tax losses carried forward. 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 unused tax credits and unused tax losses can be utilised, except:

— when the deferred tax asset relating to the deductible temporary differences which arise 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.

(x) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Revenue recognition *(Continued)*

(c) rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset;

(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.

(y) Employee benefits

(i) *Contributions to defined contribution retirement plans*

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 defined contribution retirement scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of its payroll costs to the central defined contribution retirement scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central defined contribution retirement scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Employee benefits *(Continued)*

(ii) *Share-based payment transactions*

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

During the vesting period, the number of share options and awarded shares that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the 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 share capital and the share premium account) or the option expires (whereupon it is released directly to retained profits).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Employee benefits *(Continued)*

(ii) *Share-based payment transactions (Continued)*

— 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 the effects of any modification that increase the total fair value of the share-based payment transaction, or are otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), 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. 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 diluted earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) 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.

(aa) Dividends and distributions

Final dividends and distributions proposed by the directors are classified as a separate allocation of retained profits within equity, 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.

(bb) 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(bb) Foreign currencies *(Continued)*

The functional currencies of certain subsidiaries and associates outside Hong Kong 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 reserve. On disposal of an operation outside Hong Kong, the component of other comprehensive income relating to that particular 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.

(cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(dd) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 2.4(p)(iii) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

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.

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.

(i) Estimation of fair value of investment properties and investment properties presented as non-current assets classified as held for sale

At the end of each reporting period, investment properties 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 and investment properties presented as non-current assets classified as held for sale, are given in notes 14 and 31, respectively, to the financial statements.

(ii) Estimation of fair value of biological assets

The Group's biological assets are stated at fair value. In determining the fair value of biological assets, the independent professional valuer has applied the income approach which requires a number of key assumptions and estimates to be made such as discount rate, yield, selling price, economic life, etc. Any change in the estimates may affect the fair value of the biological assets significantly.

(iii) 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. Non-financial assets are tested for impairment when there are indications 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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(iv) 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 were to deteriorate such that the actual impairment loss is higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. Further details are given in note 24 to the financial statements.

(v) 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 other comprehensive income. When the fair value declines, management makes assumptions about the decline in value to determine whether there is any impairment that should be recognised in the statement of profit or loss. For the year ended 31 December 2014, no impairment loss (2013: Nil) has been recognised for available-for-sale financial assets. The carrying amount of available-for-sale financial assets at 31 December 2014 was $71,417,000 (2013: $71,689,000). Further details are given in note 20 to the financial statements.

(vi) 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.

(vii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. The estimates could change significantly as a result of changes in customer preferences and competitor actions. Management reassesses these estimates at the end of each reporting period.

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.

4 OPERATING SEGMENT INFORMATION *(Continued)*

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

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

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

Inter-segment 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 2014 and 2013.

Group

	Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment revenue										
External sales	**3,014,883**	2,894,435	**128,955**	101,563	**15,951**	17,520	**—**	—	**3,159,789**	3,013,518
Segment results	**39,568**	66,117	**261,365**	184,213	**(87,441)**	(77,383)	**(73,129)**	(59,357)	**140,363**	113,590
Reconciliation:										
— Share of profits and losses of associates	**1,471**	126	**174,787**	254,779	**—**	—	**—**	—	**176,258**	254,905
— Impairment of advances to an associate	**(22)**	(60)	**—**	—	**—**	—	**—**	—	**(22)**	(60)
— Finance costs									**(94,298)**	(51,336)
Profit before tax									**222,301**	317,099

4 OPERATING SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

Group (Continued)

		Trading and manufacturing		Property investment and development		Agriculture and forestry		Investment holding		Group	
	Note	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000 (Restated)	**2014 $'000**	2013 $'000 (Restated)
Segment assets		**1,414,605**	1,399,013	**8,265,389**	5,560,935	**225,861**	241,563	**216,315**	272,953	**10,122,170**	7,474,464
Reconciliation:											
— Investments in associates		**12,398**	12,043	**3,883**	1,336,651	**—**	—	**—**	—	**16,281**	1,348,694
— Tax recoverable										**27,766**	20,459
Total assets										**10,166,217**	8,843,617
Segment liabilities		**1,628,397**	1,444,067	**2,501,243**	1,452,527	**16,552**	11,154	**138,251**	424,874	**4,284,443**	3,332,622
Reconciliation:											
— Tax payable										**44,557**	36,334
— Deferred tax liabilities										**803,562**	810,854
Total liabilities										**5,132,562**	4,179,810
Other segment information:											
Capital expenditure		**29,934**	55,169	**77,138**	80,030	**79,732**	53,882	**351**	1,340,005	**187,155**	1,529,086
Depreciation and amortisation		**40,339**	38,842	**4,068**	3,572	**35,592**	25,940	**158**	145	**80,157**	68,499
Provision for/(reversal of provision for) inventories, net	6	**13,593**	(8,573)	**—**	—	**—**	—	**—**	—	**13,593**	(8,573)
Impairment loss on trade receivables, net	6 & 24	**1,011**	1,618	**—**	240	**—**	—	**—**	—	**1,011**	1,858
Write-off of other receivables	6	**28**	—	**29**	2,947	**—**	—	**—**	—	**57**	2,947
Write-off of biological assets	19	**—**	—	**—**	—	**18,656**	24,217	**—**	—	**18,656**	24,217
Impairment loss on other receivables	5	**—**	—	**9,804**	—	**—**	—	**—**	—	**9,804**	—
Impairment loss on property, plant and equipment	5 & 13	**275**	—	**—**	—	**—**	—	**—**	—	**275**	—

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.

4 OPERATING SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

(i) *Revenue from external customers*

	2014	2013
	$'000	$'000
PRC including Hong Kong and Macau	**359,798**	256,109
The United States of America	**1,731,995**	1,633,644
Europe	**557,490**	579,968
Japan	**32,071**	60,811
Others	**478,435**	482,986
	3,159,789	3,013,518

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

(ii) *Non-current assets*

	2014	2013
	$'000	$'000
Hong Kong	**1,874,063**	292,946
Mainland China	**5,218,882**	5,258,197
Others	**6,310**	—
	7,099,255	5,551,143

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

(iii) *Information about major customers with revenue derived from whom amounted to 10% of the Group's revenue or above*

Revenue of approximately $1,025 million (2013: $1,129 million) and $517 million (2013: $392 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.

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

	Note	**2014** **$'000**	2013 $'000
Revenue			
Sale of merchandise from manufacturing and trading businesses		**3,014,883**	2,894,435
Rental income		**128,955**	101,563
Sale of agricultural products		**15,951**	17,520
		3,159,789	3,013,518
Other income			
Bank interest income		**518**	406
Interest income from related companies	46	**107,901**	3,900
Other interest income		**15**	216
Others		**31,421**	37,740
		139,855	42,262
Other gains/(loss), net			
Write-back of other payables		**13,587**	1,006
Impairment loss on other receivables		**(9,804)**	—
Gain on disposal of items of property, plant and equipment		**128**	1,122
Reversal of impairment loss on trade receivables		**64**	—
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		**9,875**	171
Loss on disposal of biological assets		**(8,783)**	(719)
Loss on deregistration of subsidiaries		**—**	(1,227)
Impairment loss on property, plant and equipment	13	**(275)**	—
Others		**221**	213
		5,013	9,753
		144,868	52,015

6 PROFIT BEFORE TAX

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

	Note	2014 $'000	2013 $'000
Cost of inventories sold		**2,762,321**	2,638,611
Depreciation	13	**46,694**	44,842
Amortisation of prepaid land lease payments	15	**33,463**	23,657
Auditors' remuneration		**2,794**	2,850
Employee benefits expenses (including directors' remuneration (note 8)):			
Contributions to defined contribution retirement schemes*		**70,636**	64,049
Equity-settled share award expense		**2,127**	2,500
Salaries, wages and other benefits		**972,888**	962,436
		1,045,651	1,028,985
Decrease in biological assets due to harvest	19	**2,949**	955
Operating lease rental in respect of land and buildings		**20,119**	25,498
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		**(128,955)**	(101,563)
Less: Direct operating expenses		**21,803**	18,549
Net rental income		**(107,152)**	(83,014)
Impairment loss on trade receivables, net	24	**1,011**	1,858
Provision for/(reversal of provision for) inventories, net**	23	**13,593**	(8,573)
Write-off of other receivables		**57**	2,947
Fair value loss/(gain) on foreign exchange forward contracts***		**6,694**	(21,767)
Exchange loss/(gain), net		**11,921**	(6,203)

* At 31 December 2014 and 2013, the Group had no forfeited contributions available to reduce its contributions to the defined contribution retirement 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 loss on foreign exchange forward contracts of $5,536,000 (2013: gain of $18,346,000) was included in cost of sales.

7 FINANCE COSTS

An analysis of finance costs is as follows:

	Note	2014 $'000	2013 $'000
Interest on bank loans, overdrafts and other loans wholly repayable:			
— Within five years		**106,669**	86,807
— Over five years		**757**	1,784
Interest on advances from an associate	46	**983**	2,269
Other borrowing costs		**18,099**	14,859
		126,508	105,719
Less: Amounts capitalised:			
— Interest		**(24,838)**	(41,836)
— Other borrowing costs		**(7,372)**	(12,547)
		94,298	51,336

The borrowing costs have been capitalised at a weighted average rate of 3.18% per annum (2013: 4.99%).

8 DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Group	
	2014 $'000	2013 $'000
Fees	**854**	832
Other emoluments:		
— Salaries, allowances and benefits in kind	**7,508**	6,401
— Discretionary bonuses	**189**	880
— Retirement scheme contributions	**238**	150
— Share awards	**937**	1,126
	8,872	8,557
	9,726	9,389

8 DIRECTORS' REMUNERATION *(Continued)*

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.

The details of these benefits in kind, including the principal terms and number of share awards granted, are disclosed in note 39.

(a) Independent non-executive directors

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

	2014 **$'000**	2013 $'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**	280
Dr. Leung Tony Ka Tung	**120**	120
Mr. Lau Lai Chiu Patrick	**120**	100
	745	725

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

(b) Executive directors and non-executive directors

2014

	Fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Share awards $'000	Total remuneration $'000
Executive directors:						
Mr. Ng Hung Sang	10	470	—	24	—	504
Ms. Cheung Choi Ngor	10	2,040	—	120	—	2,170
Mr. Richard Howard Gorges	10	1,200	—	60	—	1,270
Mr. Ng Yuk Fung Peter	10	1,530	—	17	—	1,557
Mr. Law Albert Yu Kwan	10	2,268	189	17	937	3,421
	50	7,508	189	238	937	8,922
Non-executive directors:						
Ms. Ng Yuk Mui Jessica	50	—	—	—	—	50
Mr. David Michael Norman (appointed on 9 December 2014)	9	—	—	—	—	9
	59	—	—	—	—	59
	109	7,508	189	238	937	8,981

8 DIRECTORS' REMUNERATION *(Continued)*

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

2013

	Fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	Share awards $'000	Total remuneration $'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 (resigned on 20 September 2013)	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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: 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 (2013: three) directors whose remuneration is set out in details in note 8 above. Details of the remuneration of the remaining two (2013: two) highest paid employees for the year are set out below.

	Group	
	2014 $'000	2013 $'000
Salaries, allowances and benefits in kind	**4,329**	5,422
Discretionary bonuses	**520**	700
Retirement scheme contributions	**32**	116
Share awards	**479**	315
	5,360	6,553

9 FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The remuneration of the aforesaid remaining two (2013: two) highest paid employee fell within the following bands:

	Number of employees	
	2014	2013
$1,500,001 to $2,000,000	**1**	—
$2,500,001 to $3,000,000	**—**	1
$3,500,001 to $4,000,000	**1**	1
	2	2

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% (2013: 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.

	Group	
	2014	2013
	$'000	$'000
Current — Hong Kong		
Charge for the year	**10,651**	7,661
Over-provision in prior years	**(1,923)**	(323)
Current — Mainland China		
Charge for the year	**13,485**	10,578
Under-provision in prior years	**19**	235
Deferred tax (note 38)	**10,428**	15,330
Total tax charge for the year	**32,660**	33,481

10 INCOME TAX *(Continued)*

A reconciliation of the notional tax expense on the Group's profit before tax at the Hong Kong Profits Tax rate to the actual tax expense is as follows:

	Group	
	2014	2013
	$'000	$'000
Profit before tax	**222,301**	317,099
Notional tax at the Hong Kong Profits Tax rate of 16.5% (2013: 16.5%)	**36,680**	52,321
Effect of different tax rates of subsidiaries operating in Mainland China and Taiwan	**(3,903)**	(1,472)
Tax effect of share of profits and losses of associates	**(29,208)**	(42,070)
Tax effect of non-deductible expenses	**62,357**	55,551
Tax effect of non-taxable income	**(53,989)**	(57,532)
Adjustments for current tax in respect of previous periods	**(1,904)**	(88)
Tax losses utilised from previous periods	**(3,863)**	(4,009)
Tax effect of unused tax losses not recognised	**25,046**	30,860
Others	**1,444**	(80)
Total tax charge for the year	**32,660**	33,481

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a profit of $59,657,000 (2013: loss of $6,346,000) which has been dealt with in the financial statements of the Company (note 41(d)).

12 EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of $198,903,000 (2013: $285,604,000), and the weighted average number of ordinary shares of 2,947,427,000 (2013: 2,948,920,000) 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 equity shareholders 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.

12 EARNINGS PER SHARE *(Continued)*

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

	2014 $'000	2013 $'000
Earnings		
Profit attributable to equity shareholders of the Company used in the basic and diluted earnings per share calculation	**198,903**	285,604

	Number of shares	
	2014 '000	2013 '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	**2,947,427**	2,948,920
Effect of redeemable convertible preference shares	**1,674,457**	1,488,027
Effect of shares held for Share Award Scheme	**41,210**	39,716
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**4,663,094**	4,476,663

The Company's share options have no dilution effect for the years ended 31 December 2014 and 2013 because the exercise price of the Company's share options was higher than the average market price of the shares for both years and the share options are therefore anti-dilutive.

13 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings $'000	Furniture and leasehold improvements $'000	Machinery and equipment $'000	Moulds and tools $'000	Motor vehicles and vessels $'000	Total $'000
At 31 December 2014						
At 31 December 2013 and 1 January 2014:						
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
At 1 January 2014, net of accumulated depreciation and impairment	118,712	50,793	64,062	3,740	5,117	242,424
Exchange realignment	(758)	(324)	(620)	(14)	—	(1,716)
Additions	74	17,104	12,856	1,938	1,867	33,839
Depreciation provided during the year (note 6)	(10,649)	(15,900)	(15,188)	(2,847)	(2,110)	(46,694)
Disposals/write-offs	(3)	(12)	(230)	—	(437)	(682)
Impairment (note 5)	(275)	—	—	—	—	(275)
Transfer to investment properties (note 14)	(1,704)	—	—	—	—	(1,704)
Surplus on revaluation upon transfer to investment properties	315	—	—	—	—	315
At 31 December 2014, net of accumulated depreciation and impairment	105,712	51,661	60,880	2,817	4,437	225,507
At 31 December 2014:						
Cost or valuation	226,980	304,584	313,627	21,037	30,676	896,904
Accumulated depreciation and impairment	(121,268)	(252,923)	(252,747)	(18,220)	(26,239)	(671,397)
Net carrying amount	105,712	51,661	60,880	2,817	4,437	225,507
Analysis of cost or valuation:						
At cost	179,471	304,584	313,627	21,037	30,676	849,395
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
	226,980	304,584	313,627	21,037	30,676	896,904

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

	Leasehold land and buildings $'000	Furniture and leasehold improvements $'000	Machinery and equipment $'000	Moulds and tools $'000	Motor vehicles and vessels $'000	Total $'000
At 31 December 2013						
At 31 December 2012 and 1 January 2013:						
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
At 1 January 2013, net of accumulated depreciation and impairment	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 14)	6,836	—	—	—	—	6,836
Transfer from construction in progress (note 16)	—	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

13 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

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

	Group	
	2014	2013
	$'000	$'000
Leasehold land and buildings in Hong Kong:		
— Long term leases	**17,604**	18,434
— Medium term leases	**13,250**	13,627
	30,854	32,061
Buildings in Mainland China		
— Medium term leases	**74,858**	86,651
	105,712	118,712

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 $36,651,000 (2013: $39,168,000) as at 31 December 2014 were erected. 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 2014 would have been approximately $86,427,000 (2013: $98,762,000).

At 31 December 2014, certain of the Group's property, plant and equipment, including leasehold land and buildings and their corresponding prepaid land lease payments were pledged to secure the banking facilities granted to the Group (note 34).

14 INVESTMENT PROPERTIES AND INVESTMENT PROPERTY UNDER CONSTRUCTION

(a) Investment properties

	Group	
	2014	2013
	$'000	$'000
Carrying amount at 1 January	**1,765,795**	1,726,378
Exchange realignment	**(33,828)**	52,730
Transfer from/(to) property, plant and equipment (note 13)	**1,704**	(6,836)
Transfer from/(to) non-current assets classified as held for sale, at fair value (note 31)	**473,160**	(120,170)
Transfer from investment property under construction	**3,138,677**	—
Additions	**6,422**	—
Disposals	**(16,905)**	—
Distribution from an associate	**1,045,600**	—
Fair value gain	**117,863**	113,693
Carrying amount at 31 December	**6,498,488**	1,765,795

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

	Group	
	2014	2013
	$'000	$'000
Hong Kong:		
— Long term leases	**386,500**	233,640
— Medium term leases	**1,437,850**	5,900
	1,824,350	239,540
Taiwan:		
— Freehold	**6,310**	—
Mainland China:		
— Medium term leases	**4,667,828**	1,526,255
	6,498,488	1,765,795

14 INVESTMENT PROPERTIES AND INVESTMENT PROPERTY UNDER CONSTRUCTION *(Continued)*

(b) Investment property under construction

	2014	2013
	$'000	$'000
Carrying amount at 1 January	**3,162,809**	3,019,473
Exchange realignment	**(70,450)**	113,891
Additions	**32,842**	24,736
Interest and other borrowing costs capitalised	**30,442**	52,220
Fair value loss	**(16,966)**	(47,511)
Transfer to investment properties	**(3,138,677)**	—
Carrying amount at 31 December	**—**	3,162,809

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

The Group's investment properties and investment property under construction were revalued on 31 December 2014 by BMI Appraisals Limited, an independent professionally qualified valuer, at $6,498,488,000 (2013:$4,928,604,000) in aggregate 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 44(a) to the financial statements.

At 31 December 2014, certain investment properties, of the Group were pledged and mortgaged to secure the banking facilities granted to the Group (note 34).

As 31 December 2014, certain investment properties of the Group with an aggregate value of $92,160,000 (2013: nil) were pledged to secure the employees resettlement reserve funds (included in provision for severance payments (note 37)) for certain subsidiaries of the Group.

The Group is in the process of applying the land use right certificates in respect of certain investment properties of the Group located in Mainland China amounting to approximately $1,264,951,000 as at 31 December 2014 (2013: $1,267,851,000). 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 are included on pages 154 to 160.

14 INVESTMENT PROPERTIES AND INVESTMENT PROPERTY UNDER CONSTRUCTION *(Continued)*

(c) 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 2014 using			
	Quoted prices in active markets (Level 1) $'000	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Fair value at 31 December 2014 $'000**
Recurring fair value measurement for:				
Commercial properties	**—**	**—**	**5,962,584**	**5,962,584**
Industrial properties	**—**	**—**	**535,904**	**535,904**
	—	**—**	**6,498,488**	**6,498,488**

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

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 (2013: nil).

14 INVESTMENT PROPERTIES AND INVESTMENT PROPERTY UNDER CONSTRUCTION *(Continued)*

(c) Fair value hierarchy *(Continued)*

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

	Commercial properties $'000	**Industrial properties** $'000
At 1 January 2014	4,515,340	413,264
Exchange realignment	(100,407)	(3,871)
Transfer from property, plant and equipment (note 13)	1,704	—
Transfer from non-current assets classified as held for sale (note 31)	398,560	74,600
Additions	39,264	—
Disposals	(16,905)	—
Distribution from an associate	1,045,600	—
Interest and other borrowing costs capitalised	30,442	—
Fair value gain	48,986	51,911
At 31 December 2014	5,962,584	535,904
At 1 January 2013	4,393,216	352,635
Exchange realignment	161,551	5,070
Transfer to property, plant and equipment (note 13)	(6,836)	—
Transfer to non-current assets classified as held for sale (note 31)	(120,170)	—
Additions	24,736	—
Interest and other borrowing costs capitalised	52,220	—
Fair value gain	10,623	55,559
At 31 December 2013	4,515,340	413,264

(Expressed in Hong Kong dollars)

14 INVESTMENT PROPERTIES AND INVESTMENT PROPERTY UNDER CONSTRUCTION *(Continued)*

(c) 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 and investment property under construction within Level 3 of the fair value hierarchy:

Properties	Valuation techniques	Rental rate/ Unit price	Capitalisation rate
Situated in Hong Kong			
— Commercial	Investment approach	$14–$165 per square foot (2013: $26–$28 per square foot)	2.8%–3% (2013: 3.0%–3.5%)
— Industrial	Investment approach	$5.5–$6 per square foot (2013: $5.5–$6 per square foot)	2.9%–3.1% (2013: 3.0%–3.5%)
Situated in Mainland China			
— Commercial	Investment approach	RMB8–RMB350 per square metre (2013: RMB8–RMB350 per square metre)	4.0%–12.5% (2013: 4.0%–12.5%)
— Commercial	Comparison approach	RMB11,000–RMB35,500 per square metre (2013: RMB15,000–RMB33,000 per square metre)	N/A
— Industrial	Investment approach	RMB3–RMB10 per square metre (2013: RMB3–RMB11 per square metre)	7.0%–8.0% (2013: 7.0%–8.0%)
Situated in Taiwan			
— Commercial	Comparison approach	TWD29,000–TWD37,000 per square metre (2013: TWD28,000–TWD35,000 per square metre)	N/A

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.

Fair values of investment properties and investment property under construction will increase if there were increases in rental rate or unit price, or a decrease in capitalisation rate.

15 PREPAID LAND LEASE PAYMENTS

	Group	
	2014	2013
	$'000	$'000
Carrying amount at 1 January	**106,435**	104,452
Exchange realignment	**(1,599)**	2,502
Additions	**65,010**	45,919
Amortisation charged to profit and loss during the year (note 6)	**(33,463)**	(23,657)
Amortisation capitalised as biological assets	**(15,822)**	(22,781)
Carrying amount at 31 December	**120,561**	106,435
Current portion included in prepayments, deposits and other receivables	**(22,542)**	(15,876)
Non-current portion	**98,019**	90,559

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

	Group	
	2014	2013
	$'000	$'000
Long term leases	**34,923**	34,671
Medium term leases	**85,638**	71,764
	120,561	106,435

16 CONSTRUCTION IN PROGRESS

	Group	
	2014	2013
	$'000	$'000
Carrying amount at 1 January	**127,770**	116,326
Exchange realignment	**(2,802)**	4,321
Additions	**5,186**	6,344
Transfer to property, plant and equipment (note 13)	**—**	(1,384)
Interest capitalised	**1,768**	2,163
Carrying amount at 31 December	**131,922**	127,770

At 31 December 2014, certain construction in progress of the Group were pledged to secure the banking facilities granted to the Group (note 34).

17 INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	$'000	$'000
Unlisted shares, at cost	**234,018**	234,018
Capital contribution to share award trust (Note)	**4,398**	3,764
	238,416	237,782
Amounts due from subsidiaries	**3,911,459**	3,131,061
	4,149,875	3,368,843

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

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

The amounts due to subsidiaries included in the Company's statement of financial position of $1,343,328,000 (2013: $1,333,772,000) 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 34).

Details of the principal subsidiaries are included on pages 148 to 151.

17 INVESTMENTS IN SUBSIDIARIES *(Continued)*

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

	2014 %	2013 %
Percentage of equity interest held by non-controlling equity holders:		
—遼寧長盛置業有限公司	**20%**	20%
—南京微分電機有限公司 (Note)	**Nil**	13%
Profit/(loss) for the year allocated to non-controlling interests:		
—遼寧長盛置業有限公司	**925**	(4,089)
—南京微分電機有限公司 (Note)	**Nil**	4,439
Accumulated balances of non-controlling interests at the reporting dates:		
—遼寧長盛置業有限公司	**349,198**	358,967
—南京微分電機有限公司 (Note)	**Nil**	56,101

Note: As disclosed in the announcement of the Company dated 28 July 2014, minority stakes in certain indirect non-wholly-owned subsidiaries (which included 南京微分電機有限公司 ("微分")) of the Company were acquired. Upon completion of the transactions on 31 December 2014, the captioned non-wholly-owned subsidiaries including 微分 became wholly-owned subsidiaries. Details of the transactions are disclosed in note 50.

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

	2014	2013	
	遼寧長盛置業有限公司	遼寧長盛置業有限公司	南京微分電機有限公司
	$'000	$'000	$'000
Revenue	**28,836**	—	39,171
Profit/(loss) for the year	**4,626**	(20,446)	34,145
Other comprehensive income for the year	**(53,469)**	84,936	14,878
Total comprehensive income for the year	**(48,843)**	64,490	49,023
Current assets	**80,814**	47,633	113,058
Non-current assets	**3,139,105**	3,163,360	533,208
Current liabilities	**(276,499)**	(259,101)	(111,837)
Non-current liabilities	**(538,731)**	(589,294)	(102,882)
Net cash (used in)/generated from operating activities	**(19,465)**	(11,184)	4,676
Net cash used in investing activities	**(32,691)**	(25,130)	(378)
Net cash generated from financing activities	**55,350**	36,956	—
Net increase in cash and cash equivalents	**3,194**	642	4,298

17 INVESTMENTS IN SUBSIDIARIES *(Continued)*

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 additional 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 2014, the Group has injected approximately RMB531,678,000 (up to 31 December 2013: approximately RMB459,644,000), equivalent to approximately $658,700,000 (up to 31 December 2013: equivalent to approximately $567,765,000), 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 additional capital contribution obligations up to 31 December 2014. As such, the abovementioned outstanding capital contributions from the Non-controlling Shareholders have not been recognised in equity as non-controlling interests in 遼寧長盛置業有限公司 of $358,967,000 and $349,198,000 as carried in the consolidated statement of financial position as at 31 December 2013 and 2014, respectively.

18 INVESTMENTS IN ASSOCIATES

	Group	
	2014	2013
	$'000	$'000
Share of net assets:		
— Unlisted associates	**16,281**	1,348,694
Advances to associates	**57,861**	57,839
Provision for impairment#	**(57,861)**	(57,839)
	—	—
	16,281	1,348,694

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.

18 INVESTMENTS IN ASSOCIATES *(Continued)*

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, advances to associates with carrying amount before provision of $57,861,000 (2013: $57,839,000) are not repayable within twelve months from the end of the reporting period and, accordingly, such advances are classified in the consolidated statement of financial position as non-current assets.

As at 31 December 2014, the amount due to an associate of the Group, Firm Wise Investment Limited (in liquidation) ("FWIL"), was fully repaid during the year (2013: carrying amount of $105,948,000). The amount due was unsecured and carried interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.15% per annum. In 2013, the amount was not repayable within twelve months from the end of the reporting period and, therefore, classified in the consolidated statement of financial position as non-current liabilities.

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

	Group	
	2014	2013
	$'000	$'000
At 1 January	**57,839**	57,779
Impairment loss recognised	**22**	60
At 31 December	**57,861**	57,839

Details of the principal associate are included on page 152.

FWIL is a 30% held associate of the Group. FWIL is being voluntarily liquidated by the joint venture partners as disclosed in the announcement of the Company dated 15 September 2014. Accordingly, its investment properties in the form of office floors, commercial accommodation, car park and reserved areas have been distributed in proportion of shareholding to the joint venture partners.

As at 31 December 2013, the Group had guaranteed an amount of $540,000,000 to secure banking facilities granted to FWIL which was fully utilised (note 42). The banking facilities were originally due to be mature in November 2016.

At 31 December 2014, the shares in a wholly-owned subsidiary that holds the distributed properties and 30% interests in FWIL with share of net assets equity accounted for by the Group of approximately $4 million (2013: 30% interests in FWIL of $1,337 million) were pledged to secure the banking facilities granted to the Group.

18 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 an independent professionally qualified valuer, BMI Appraisals Limited ("BMI").

	2014 $'000	2013 $'000
FWIL		
Current assets	**81,407**	118,291
Non-current assets	**—**	6,267,855
Current liabilities	**(68,461)**	(106,788)
Non-current liabilities	**—**	(1,823,855)
Net assets	**12,946**	4,455,503
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	**3,884**	1,336,651
Carrying amount of the investment	**3,884**	1,336,651
Revenues	**39,385**	179,088
Profit for the year	**582,622**	849,264
Total comprehensive income for the year	**582,622**	849,264
Dividend received from the associate (30%)	**1,932,420**	31,500

The dividend received from FWIL in 2014 comprised distribution of cash dividend and equality money of $73,820,000 and investment properties located in Hong Kong amounting to $1,858,600,000 as set out in notes 14 and 31.

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

	2014 $'000	2013 $'000
Other associates		
Share of the associates' profit for the year	**1,471**	126
Share of the associates' other comprehensive income	**(271)**	435
Share of the associates' total comprehensive income	**1,200**	561
Dividend received from the associates	**846**	—
Aggregate carrying amount of the Group's investments in the associates	**12,397**	12,043

19 BIOLOGICAL ASSETS

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

	Lychee trees $'000	Pear trees $'000	Winter date trees $'000	Apple trees $'000	Others $'000	Total $'000
31 December 2014						
Carrying amount at 1 January 2014	**20,207**	**16,450**	**17,266**	**44,622**	**25,417**	**123,962**
Exchange realignment	**(417)**	**(320)**	**(344)**	**(989)**	**(478)**	**(2,548)**
Additions	**209**	**7,813**	**1,545**	**8,515**	**9,411**	**27,493**
(Loss)/gain arising from changes in fair value less costs to sell	**(6,494)**	**(5,339)**	**(5,863)**	**10,698**	**(1,491)**	**(8,489)**
Write-off of biological assets	**—**	**(2,995)**	**—**	**(1,418)**	**(14,243)**	**(18,656)**
Disposal of biological assets	**—**	**—**	**—**	**(9,879)**	**(1,275)**	**(11,154)**
Decrease due to harvest (note 6)	**—**	**(729)**	**(1,849)**	**(205)**	**(166)**	**(2,949)**
Carrying amount at 31 December 2014	**13,505**	**14,880**	**10,755**	**51,344**	**17,175**	**107,659**
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
Gain/(loss) 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

Quantities of fruit trees:

	Group	
	2014 Number of trees '000	2013 Number of trees '000
Lychee trees	**215**	202
Pear trees	**322**	216
Winter date trees	**213**	107
Apple trees	**197**	328
Others	**2,069**	1,982
	3,016	2,835

19 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	
	2014	2013
	$'000	$'000
Fair value less costs to sell		
Pear	**729**	145
Winter date	**1,849**	181
Apple	**205**	78
Others	**166**	551
	2,949	955
	2014	2013
	Tons	Tons
Saleable output:		
— Pear	**121**	78
— Winter date	**203**	24
— Apple	**21**	88
— Others	**31**	200
	376	390

The Group's biological assets as at 31 December 2014 and 31 December 2013 were revalued by an independent professionally qualified valuer, BMI, using the income approach.

BMI, the valuer engaged to provide the valuation of the biological assets of the Group as at 31 December 2014 and 31 December 2013, is a professional firm providing a wide spectrum of valuation services with extensive experience in valuation of various assets and business interests, including biological assets. It has prior experience in valuation of biological assets such as fruit tree plantation, tea tree plantation, rubber tree plantation, jatropha plantation and forestry assets. The service team of BMI comprises members of the Royal Institution of Chartered Surveyors, the American Institute of Certified Public Accountants and the Institute of Public Accountants, as well as charterholders of Chartered Financial Analyst and Financial Risk Manager.

BMI has confirmed that (i) it has no present or prospective interest in the Company or the biological assets subject to the valuation, (ii) its directors and employees are independent of and not connected with any director, chief executive or substantial shareholders of the Company or their respective associates, and (iii) it has relevant qualifications and experience in biological asset valuation assignments. In view of the above, the directors were satisfied that BMI is independent and competent to determine the fair values of the biological assets.

In the absence of active market in the regions where the Group's biological assets are located, no market price information was available to adopt the market approach. Accordingly, BMI has adopted an income approach to value the biological assets.

19 BIOLOGICAL ASSETS *(Continued)*

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.

Fair value hierarchy

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

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in markets (Level 1) $'000	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Fair value at 31 December 2014 $'000**
Recurring fair value measurement for:				
Biological assets	—	—	**107,659**	**107,659**

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Fair value at 31 December 2013 $'000
Recurring fair value measurement for:				
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 (2013: nil).

(Expressed in Hong Kong dollars)

19 BIOLOGICAL ASSETS *(Continued)*

Fair value hierarchy *(Continued)*

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	
			2014	2013
Lychee trees	Income approach using discounted cash flow method ("DCF")	Discount rate	**15.86%**	17.27%
		Expected long term price growth rate	**3.11%**	2.97%
		Expected economic life	**50 years**	50 years
		Expected maximum yield per mu	**200 kg**	305 kg
Pear trees	Income approach using DCF	Discount rate	**15.86%**	17.27%
		Expected long term price growth rate	**3.11%**	2.97%
		Expected economic life	**20 years**	30 years
		Expected maximum yield per mu	**1,980 kg**	1,500kg to 2,400kg
Winter date trees	Income approach using DCF	Discount rate	**15.86%**	17.27%
		Expected long term price growth rate	**3.11%**	2.97%
		Expected economic life	**20 years**	30 years
		Expected maximum yield per mu	**960 kg**	1,000kg to 1,500kg
Apple trees	Income approach using DCF	Discount rate	**15.86%**	17.27%
		Expected long term price growth rate	**3.11%**	2.97%
		Expected economic life	**30 years**	30 years
		Expected maximum yield per mu	**2,250 kg**	1,200kg to 2,400kg
Other fruit trees	Income approach using DCF	Discount rate	**15.86%**	17.27%
		Expected long term price growth rate	**3.11%**	2.97%
		Expected economic life	**20–30 years**	30 to 50 years
		Expected maximum yield per mu	**2,188 kg**	200kg to 2,000kg

The fair values of the biological assets were also determined on the following assumptions:

— The fruit trees will continue to be competently managed and remain free from irremediable diseases in their remaining estimated useful lives;

— There will be no material change in the political, legal, fiscal, technological, market and economic conditions in the jurisdiction where the biological assets are exposed to;

— The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;

— The core operation of the biological assets will not differ materially from those of present or expected;

— The financial statements and physical count information in respect of the biological assets have been prepared after due and careful considerations by the senior management of the Company; and

— There will be no human disruptions or natural disasters that will materially affect the operation of the biological assets.

19 BIOLOGICAL ASSETS *(Continued)*

Sensitivity analysis

The following is the sensitivity analysis on changes in discount rate and key assumptions and variables in the valuation techniques.

2014

	Group	
	Change in variables %	**Increase/ (decrease) in profit before tax $'000**
Discount rate	**10**	**(14,155)**
	(10)	**17,231**
Expected long term price growth rate	**10**	**1,738**
	(10)	**(1,601)**
Expected economic life	**10**	**4,689**
	(10)	**(6,327)**
Expected maximum yield per mu	**10**	**11,304**
	(10)	**(11,229)**

2013

	Group	
	Change in variables %	Increase/ (decrease) in profit before tax $'000
Discount rate	10	(17,649)
	(10)	21,870
Expected long term price growth rate	10	2,174
	(10)	(2,046)
Expected economic life	10	2,558
	(10)	(4,093)
Expected maximum yield per mu	10	12,278
	(10)	(12,278)

19 BIOLOGICAL ASSETS *(Continued)*

Workdone on physical existence and quantity of biological assets

The Group has performed physical counts, which covered all except for certain small scale plantations representing approximately 3% (2013: 2%) of the biological assets as carried in the consolidated statement of financial position as at 31 December 2014, for its plantations in the various regions to verify the physical existence and ascertain the conditions of the biological assets.

In addition, BMI has conducted the site inspection in Xian, Hebei and Guangzhou and has performed the following procedures:

— Verified the physical existence of the fruit trees;

— Checked the coverage of the plantation area of the fruit trees;

— Identified the species of the fruit trees;

— Observed the growth of the fruit trees;

— Assessed the quality and healthiness of the fruit trees;

— Measured the density of the plantation of the fruit trees; and

— Evaluated the operation of the fruit trees.

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2014	2013
	$'000	$'000
Club debentures, at fair value	**71,392**	71,664
Unlisted equity investments, at cost	**25**	25
	71,417	71,689

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 loss in respect of the Group's club debentures recognised in other comprehensive income during the year amounted to $272,000 (2013: fair value gain of $15,997,000).

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 2014, certain available-for-sale financial assets of the Group were pledged to secure the banking facilities granted to the Group (note 34).

21 PREPAYMENTS AND DEPOSITS

Non-current prepayments and deposits are neither past due nor impaired. As at 31 December 2014, certain of the prepayments and deposits of the Group were pledged to secure the banking facilities granted to the Group (note 34).

22 GOODWILL

	Group	
	2014	2013
	$'000	$'000
At 1 January:		
Cost	**6,652**	6,652
Exchange realignment	**67**	—
Accumulated impairment	**(3,500)**	(3,500)
Net carrying amount	**3,219**	3,152
Carrying amount at 1 January	**3,219**	3,152
Exchange realignment	**(48)**	67
At 31 December	**3,171**	3,219
At 31 December:		
Cost	**6,671**	6,719
Accumulated impairment	**(3,500)**	(3,500)
Net carrying amount	**3,171**	3,219

The amount of goodwill arising from the acquisition of subsidiaries prior to the adoption of the Group's current accounting policy on business combination, which is included in goodwill reserve in the consolidated reserves, was $3,067,000 (2013: $3,067,000) as at 31 December 2014.

As at 31 December 2014, certain goodwill of the Group was pledged as part of the charges over all the assets of certain subsidiaries of the Group, to secure the banking facilities granted to the Group (note 34).

22 GOODWILL *(Continued)*

Impairment testing of goodwill

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

— Property investment and development cash-generating unit; and

— Toy manufacturing and trading cash-generating unit

Property investment and development cash-generating unit

The recoverable amount of the property investment and development cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to cash flow projections is 12% (2013: 11%). Cash flows beyond the five-year period are extrapolated using a growth rate of 3% (2013: 3%) 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 pre-tax discount rate applied to cash flow projections is 12% (2013: 10%). Cash flows beyond the five-year period are extrapolated using a growth rate of 4% (2013: 3%) which is estimated on the basis of the long term average growth rate of the toy manufacturing and trading industry.

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

	Group	
	2014	2013
	$'000	$'000
Cash-generating units:		
Property investment and development	**1,797**	1,845
Toy manufacturing and trading	**1,374**	1,374
	3,171	3,219

23 INVENTORIES

	Group	
	2014	2013
	$'000	$'000
Raw materials	**130,515**	153,024
Work in progress	**86,535**	94,200
Finished goods	**193,471**	198,637
	410,521	445,861
Provision against obsolete inventories	**(46,917)**	(39,986)
	363,604	405,875

The movements in provision against obsolete inventories are as follows:

	Group	
	2014	2013
	$'000	$'000
At 1 January	**39,986**	59,768
Exchange realignment	**(297)**	2,578
Provision/(reversal of provision) (note 6)	**13,593**	(8,573)
Amount utilised	**(6,365)**	(13,787)
At 31 December	**46,917**	39,986

As at 31 December 2014, certain inventories of the Group were pledged to secure the banking facilities granted to the Group (note 34).

24 TRADE RECEIVABLES

	Group	
	2014	2013
	$'000	$'000
Trade receivables	**480,536**	337,483
Provision for impairment	**(64,489)**	(65,303)
	416,047	272,180

24 TRADE RECEIVABLES *(Continued)*

The Group's trading terms with its customers are mainly on credit with credit periods normally ranging from 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 the senior management. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 49 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 for impairment as at the end of the reporting period based on invoice date is as follows:

	Group	
	2014	2013
	$'000	$'000
Within 90 days	**378,918**	260,052
91 to 180 days	**19,398**	4,258
181 to 365 days	**12,365**	1,959
Over 365 days	**5,366**	5,911
	416,047	272,180

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

	Group	
	2014	2013
	$'000	$'000
At 1 January	**65,303**	62,182
Exchange realignment	**(205)**	1,841
Impairment loss provision (note 6)	**1,011**	1,858
Amount written off as uncollectible	**(1,620)**	(578)
At 31 December	**64,489**	65,303

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of $64,489,000 (2013: $65,303,000) with an aggregate carrying amount before provision of $64,489,000 (2013: $65,303,000). 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.

24 TRADE RECEIVABLES *(Continued)*

Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	Group	
	2014	2013
	$'000	$'000
Neither past due nor impaired	**237,304**	154,972
Less than 1 month past due	**104,648**	55,463
1 to 3 months past due	**74,095**	61,745
	178,743	117,208
	416,047	272,180

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables past due but 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 2014, certain trade receivables of the Group were pledged to secure the banking facilities granted to the Group (note 34).

25 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 2014, certain prepayments, deposits and other receivables of the Group were pledged to secure the banking facilities granted to the Group (note 34).

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Equity investments at market value listed in:				
Hong Kong	**44,509**	64,036	**34,533**	28,386
Mainland China	**2,187**	1,235	**—**	—
	46,696	65,271	**34,533**	28,386

The above equity investments at 31 December 2014 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.

27 FOREIGN EXCHANGE FORWARD CONTRACTS

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Current assets				
Foreign exchange forward contracts	**1,011**	14,617	**1,011**	3,191
Current liabilities				
Foreign exchange forward contracts	**3,588**	—	**—**	—

The Group has entered into 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 loss of $6,694,000 (2013: fair value gain of $21,767,000), which was charged/credited to profit or loss during the year. The carrying amount of foreign exchange forward contracts represents their fair value.

As at 31 December 2014, no foreign exchange forward contracts of the Group were pledged to secure the banking facilities granted to the Group (note 34).

28 AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES/ AMOUNTS DUE FROM AFFILIATES

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

As at 31 December 2014, certain amounts due from non-controlling shareholders of subsidiaries of the Group were pledged to secure the banking facilities granted to the Group (note 34).

The affiliates are companies controlled by the substantial shareholder of the Company.

The amounts due from affiliates are unsecured and repayable on demand, amongst which in the amount of $78,000,000 (2013: $78,000,000) carries interest at Hong Kong dollar prime rate. The maximum amount outstanding during the year was $110,765,000 (2013: $78,000,000).

Amounts due from non-controlling shareholders of subsidiaries and affiliates are neither past due nor impaired.

29 LOAN RECEIVABLE

On 17 February 2014, Perennial Success Limited (the "Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (the "Agreement") with Crystal Hub Limited (the "Vendor"), a direct wholly-owned subsidiary of South China Land Limited ("SCL"), whereby the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 40% of the issued share capital of Elite Empire Investments Limited (the "Sale Shares") at a consideration of $600 million subject to the adjustment for 40% of the shortfall in unaudited net assets value of Elite Empire Investments Limited and its subsidiaries (collectively the "Elite Empire Group") as at the completion date as referred to in the announcement and circular of the Company dated 18 February 2014 and 19 March 2014, respectively. As disclosed in the announcement of the Company dated 3 July 2014, such adjustment, which was paid by the Vendor to the Purchaser in cash on 30 June 2014, amounted to approximately $8.8 million. Hence, the consideration after the abovementioned adjustment amounted to approximately $591.2 million.

Under the Agreement, the Purchaser and the Vendor shall enter into the put and call options agreement (the "Options Agreement") whereby the Purchaser shall grant to the Vendor a call option to give the Vendor the right to require the Purchaser to sell to the Vendor all (but not part) of the Sale Shares, subject to the terms and conditions of the Options Agreement, at a fixed sum of $700 million (the "Exercise Price") during the period of 15 months commencing on the 1st day of the 10th month from the date of completion of the transactions pursuant to the Agreement (the "Completion") and expiring on the last day of the 24th month from the Completion date, both days inclusive (the "Option Exercisable Period") and the Vendor shall grant to the Purchaser a put option to give the Purchaser the right to require the Vendor to buyback all (but not part) of the Sale Shares from the Purchaser, subject to the terms and conditions of the Options Agreement, at the Exercise Price during the Option Exercisable Period.

29 LOAN RECEIVABLE *(Continued)*

Under the Agreement, the Purchaser shall procure the Company and the Vendor shall procure SCL to execute a deed of undertaking whereby the Company undertakes to grant guarantee(s) not exceeding $500 million or an equivalent amount in US dollar or Renminbi in aggregate in favour of the prospective lenders of any member of the Elite Empire Group for any loan with a term not exceeding three years at the request of Elite Empire Investments Limited after Completion subject to the terms and conditions of the Agreement and the said deed of undertaking and SCL shall indemnify the Company against 60% of all guaranteed sum together with the full amount of all costs and expenses incurred in (a) defense against or settlement of any claim lodged with the Company under such guarantee(s) and (b) recovery of the said guarantee sum and the costs referred to in (a) above. This guarantee has been expired after six months from the date of the Group's independent shareholders' approval of the transaction.

The abovementioned transactions were completed on 11 April 2014. As detailed in the circular of the Company dated 19 March 2014, the Group has recognised the acquisition of the Sale Shares, the grant of the call option by the Purchaser to the Vendor and the grant of the put option by the Vendor to the Purchaser at the same Exercise Price, which is a fixed sum, and with the same Option Exercisable Period under the Agreement collectively (the "Resulting Investment") as a debt instrument, i.e. a loan receivable, in view of, among others, the following:

(a) Under the Agreement, the Purchaser is only entitled to appoint directors to the boards of the members of the Elite Empire Group after (i) the occurrence of any intervening event as detailed in the circular of the Company dated 19 March 2014 or (ii) the lapse of the put option and the call option. Furthermore, the Purchaser has agreed not to interfere with the business and the operating and financing policy decisions of Elite Empire Group at both the board and shareholder levels before the expiry of the Option Exercisable Period provided that there is no breach of the Agreement and the Elite Empire Group is not engaged in any business other than the property development project as defined in the said circular; and

(b) The put option and the call option with fixed Exercise Price render the Purchaser's present access to the ownership interest in the Sale Shares by way of sharing the residual interest in the assets of the Elite Empire Group after deducting all of the liabilities thereof limited and, therefore, the Vendor retains substantially all the risks and rewards of ownership. The combination of the put option and the call option with the same Option Exercisable Period and the same Exercise Price resembles a forward contract whereby the Purchaser is obliged to deliver the Sale Shares to the Vendor and the Vendor is obliged to settle the Exercise Price on the maturity date of such forward contract.

As detailed in the circular of the Company dated 19 March 2014, as the Resulting Investment is recognised as a debt instrument, the put option and the call option are not recognised separately.

Accordingly, upon Completion, the Group has recognised the loan receivable in respect of the said debt instrument at the consideration incurred. Such loan receivable is subsequently measured at amortised cost using the effective interest rate method. Finance income derived from the effective interest rate amortisation for the period from the day immediately after the Completion to the day immediately before the commencement date of the Option Exercisable Period is recognised in the consolidated statement of profit or loss of the Group over the said period with a corresponding increase in the carrying value of the loan receivable, which will stand at the balance of $700 million immediately before the commencement of the Option Exercisable Period. The finance income so recognised in the consolidated statement of profit or loss of the Group for the year ended 31 December 2014 amounted to approximately $104.0 million.

30 CASH AND BANK BALANCES

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to $88,708,000 (2013: $109,700,000). 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 2014, certain cash and bank balances of the Group were pledged to secure the banking facilities granted to the Group (note 34), of which an amount of approximately $27,726,000 (2013: $19,353,000) was restricted as to use.

31 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

The Group has committed to a plan to sell certain of its investment properties (the "Disposable Assets"). 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	
	2014	2013
	$'000	$'000
Carrying amount at 1 January	**449,069**	497,424
Exchange realignment	**(360)**	(99)
Transfer (to)/from investment properties (note 14)	**(473,160)**	120,170
Fair value gain	**32,451**	65,974
Disposal of a subsidiary	**—**	(121,400)
Disposal	**—**	(113,000)
Distribution from an associate	**813,000**	—
Carrying amount at 31 December	**821,000**	449,069

The investment properties presented as non-current assets classified as held for sale were revalued on 31 December 2014 by BMI Appraisals Limited, an independent professionally qualified valuer, at $821,000,000 (2013: $449,069,000) 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 44(a) to the financial statements.

As at 31 December 2014, certain non-current assets of the Group classified as held for sale were pledged and mortgaged to secure the banking facilities granted to the Group (note 34).

Further particulars of the Group's investment properties presented as non-current assets classified as held for sale are set out on page 160.

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

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 2014 using			
	Quoted prices in active markets (Level 1) $'000	**Significant observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Recurring fair value measurement for:				
Commercial properties	—	—	**821,000**	**821,000**

	Fair value measurement as at 31 December 2013 using			
	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Recurring fair value measurement for:				
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 (2013: nil).

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

Fair value hierarchy *(Continued)*

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

	Commercial properties $'000	**Industrial properties $'000**
Carrying amount at 1 January 2014	**377,169**	**71,900**
Exchange realignment	**(360)**	**—**
Distribution from an associate	**813,000**	**—**
Transfer to investment properties (note 14)	**(398,560)**	**(74,600)**
Fair value gain	**29,751**	**2,700**
Carrying amount at 31 December 2014	**821,000**	**—**

	Commercial properties $'000	Industrial properties $'000
Carrying amount at 1 January 2013	433,024	64,400
Exchange realignment	(99)	—
Disposal of a subsidiary	(121,400)	—
Disposal	(113,000)	—
Transfer from investment properties (note 14)	120,170	—
Fair value gain	58,474	7,500
Carrying amount at 31 December 2013	377,169	71,900

(Expressed in Hong Kong dollars)

31 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	Weighted average of unobservable input	
			2014	2013
Situated in Hong Kong				
— Commercial	Investment approach	Rental rate	**$45–$54 per square foot**	$14–$38 per square foot
		Capitalisation rate	**2.8% to 3.0%**	3.0%–3.5%
	Comparison approach	Unit price	**N/A**	$5,000–$14,000 per square foot
— Industrial	Comparison approach	Unit price	**N/A**	$3,800–$4,800 per square foot
Situated in Taiwan				
— Commercial	Comparison approach	Unit price	**N/A**	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.

In 2013, a number of industrial and commercial properties were valued using the comparison approach 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.

Fair values of non-current assets classified as held for sale will increase if there were increases in rental rate or unit price, or a decrease in capitalisation rate.

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

The Group's non-current assets classified as held for sale are situated in Hong Kong (2013: Hong Kong and Taiwan), and are held under the following lease terms:

	Group	
	2014	2013
	$'000	$'000
Freehold	**—**	5,829
Long term leases	**—**	211,570
Medium term leases	**821,000**	231,670
	821,000	449,069

32 TRADE PAYABLES

	Group	
	2014	2013
	$'000	$'000
Trade payables	**373,144**	353,155

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

	Group	
	2014	2013
	$'000	$'000
Within 90 days	**269,151**	267,461
91 to 180 days	**49,358**	33,017
181 to 365 days	**8,081**	5,731
Over 365 days	**46,554**	46,946
	373,144	353,155

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

33 OTHER PAYABLES AND ACCRUALS

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

34 INTEREST-BEARING BANK BORROWINGS

	Effective interest rate %	Maturity	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Current						
Bank overdrafts						
— unsecured	5	on demand	**15,207**	8,191	**—**	—
Bank overdrafts						
— secured	5	on demand	**17,870**	14,232	**—**	—
Bank loans — unsecured	2–7	2015	**66,006**	60,654	**—**	—
Bank loans — secured	1–8	2015	**1,591,631**	546,294	**853,671**	155,985
Trust receipt loans						
— secured	1–2	2015	**347,793**	361,765	**—**	—
			2,038,507	991,136	**853,671**	155,985
Non-current						
Bank loans — unsecured	5–7	2016–2017	**5,499**	45,696	**—**	—
Bank loans — secured	2–7	2016–2024	**1,308,636**	1,269,229	**754,450**	1,038,850
			1,314,135	1,314,925	**754,450**	1,038,850
			3,352,642	2,306,061	**1,608,121**	1,194,835

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand	**2,038,507**	991,136	**853,671**	155,985
In the second year	**1,249,717**	729,711	**754,450**	583,988
In the third to fifth years, inclusive	**55,809**	578,133	**—**	454,862
Over five years	**8,609**	7,081	**—**	—
	3,352,642	2,306,061	**1,608,121**	1,194,835

34 INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes:

Group

(a) At the end of the reporting period, the Group's bank borrowings of approximately $3,265,930,000 (2013: $2,191,520,000) were secured by:

(i) pledges and mortgages over the Group's investment properties (2013: inclusive of investment property under construction) situated in Hong Kong and Mainland China, which had an aggregate carrying value of approximately $4,787,674,000 (2013: $3,402,349,000) (note 14) 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 $821,000,000 (2013: $430,240,000) (note 31) at the end of the reporting period;

(iii) pledges and mortgages over the Group's leasehold land and buildings (including their corresponding prepaid land lease payments), which had an aggregate carrying value of approximately $99,979,000 (2013: $102,629,000) at the end of the reporting period;

(iv) pledges over the Group's inventories, which had an aggregate carrying value of approximately $311,207,000 (2013: $334,002,000) at the end of the reporting period;

(v) pledges over certain bank deposits of the Group with an aggregate carrying value of approximately $27,726,000 (2013: $19,353,000) (note 30) at the end of the reporting period;

(vi) pledge and mortgage over the shares of certain indirect wholly-owned subsidiaries of the Group;

(vii) 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 $3,418,077,000 (2013: $3,396,449,000) in respect of the Group's investment properties (2013: inclusive of investment property under construction) which is included in the amount in note (a)(i) above;

— approximately $186,429,000 (2013: $197,799,000) in respect of the Group's property, plant and equipment and prepaid land lease payments, of which approximately $99,979,000 (2013: $87,805,000) has been included in note (a)(iii) above;

— approximately $323,356,000 (2013: $341,345,000) in respect of the Group's inventories, of which approximately $311,207,000 (2013: $334,002,000) has been included in note (a)(iv) above; and

— approximately $116,880,000 (2013: $112,500,000), $1,374,000 (2013: $1,374,000), $4,672,000 (2013: $4,944,000), Nil (2013: $11,426,000), $347,990,000 (2013: $212,595,000), $49,455,000 (2013: $60,417,000), $27,766,000 (2013: $20,459,000), $40,470,000 (2013: $41,391,000) and $209,233,000 (2013: $272,818,000) in respect of the Group's construction in progress (note 16), goodwill (note 22), available-for-sale financial assets (note 20), foreign exchange forward contracts (note 27), trade receivables (note 24), prepayments, deposits and other receivables (notes 21 and 25), tax recoverable, amounts due from non-controlling shareholders of subsidiaries (note 28) and cash and bank balances (note 30), respectively; and

(b) At the end of the reporting period, except for the secured bank loans with an aggregate amount of $229,215,000 (2013: $249,086,000), which were denominated in Renminbi, and an aggregate amount of $23,250,000 (2013: $23,267,000), which were denominated in United States dollars, and the unsecured bank loans of $1,376,000 (2013: $45,537,000) which were denominated in Renminbi, all other borrowings were in Hong Kong dollars.

34 INTEREST-BEARING BANK BORROWINGS *(Continued)*

Notes: *(Continued)*

Company

At the end of the reporting period, the Company's bank borrowings of approximately $1,608,121,000 (2013: $1,194,835,000) were secured by:

(i) pledges over certain bank deposits of the Company and an indirect wholly-owned subsidiary with an aggregate carrying value of $27,726,000 (2013: $19,353,000) 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)(vii) above; and

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

35 AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

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

36 ADVANCES FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The advances from non-controlling shareholders of subsidiaries are unsecured, interest-free and are not repayable within twelve months from the end of the reporting period.

37 OTHER NON-CURRENT LIABILITIES

	Group		**Company**	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Provision for severance payments	**76,915**	79,149	**—**	—
Others	**1,259**	10,593	**406**	956
	78,174	89,742	**406**	956

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

	Group	
	2014	2013
	$'000	$'000
At 1 January	**79,149**	79,725
Exchange realignment	**(1,760)**	3,008
Amounts utilised during the year	**(474)**	(3,584)
At 31 December	**76,915**	79,149

37 OTHER NON-CURRENT LIABILITIES *(Continued)*

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.

On 25 July 2014, an indirect wholly-owned subsidiary of the Company entered into the equity transfer agreements with Nanjing Machinery & Electronics Industrial (Group) Co., Limited (南京機電產業(集團)有限公司) for the acquisition of all the minority stakes in three subsidiaries, 南京微分電機有限公司, 南京電力電容器有限公司 and 南京液壓件二廠有限公司. Under the Agreement, investment properties amounting to $92,160,000 are pledged to secure the performance of the respective subsidiaries' obligations in respect of the employees resettlement reserve funds (職工安置備用金). Under the local government policy, companies transformed from state-owned enterprise shall pledge their assets to secure the performance of their obligations in respect of the employees resettlement reserve funds.

38 DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED

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

Group

	Depreciation allowance in excess of related depreciation $'000	Revaluation of properties $'000	Withholding tax $'000	Losses available for offsetting against future taxable profits $'000	Total $'000
At 1 January 2013	9,483	762,834	466	(5,798)	766,985
Deferred tax (credited)/charged 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
At 1 January 2014	**9,439**	**807,187**	**—**	**(5,772)**	**810,854**
Deferred tax charged to the statement of profit or loss (note 10)	**55**	**10,268**	**—**	**105**	**10,428**
Exchange realignment	**—**	**(17,720)**	**—**	**—**	**(17,720)**
At 31 December 2014	**9,494**	**799,735**	**—**	**(5,667)**	**803,562**

38 DEFERRED TAX ASSETS AND LIABILITIES RECOGNISED *(Continued)*

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 $325,629,000 (2013: $323,549,000) and $22,540,000 (2013: $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 $421,697,000 (2013: $346,462,000) in the past five years for offsetting against future taxable profits. Such tax losses will expire in one to five years for offsetting against future taxable profits.

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

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

At 31 December 2014, no deferred tax liabilities have 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 $47,012,000 at 31 December 2014 (2013: $39,025,000).

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

39 SHARE CAPITAL

(a) Shares

	2014 $'000	2013 $'000
Authorised:		
5,000,000,000 ordinary shares of $0.02 each	**100,000**	100,000
2,000,000,000 redeemable convertible preference shares of $0.02 each	**40,000**	40,000
Total authorised capital	**140,000**	140,000
Issued and fully paid:		
2,988,636,863 (2013: 2,988,636,863) ordinary shares of $0.02 each	**59,773**	59,773
1,794,118,996 (2013: 1,352,942,526) redeemable convertible preference shares of $0.02 each	**35,882**	27,059
Total issued and fully paid capital	**95,655**	86,832

The redeemable convertible preference shares are redeemable at the sole discretion of the Company at any time after the issuance thereof. Holders 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.

The redeemable convertible preference shares can be converted into fully paid ordinary shares on a one-for-one basis. The redeemable convertible preference shareholders shall have a right to convert at any time after the day of issue of the redeemable convertible preference share. There is no limit over the conversion period subject to the following conditions: (i) SCL, a holder of the convertible preference shares and a related company, irrevocably and unconditionally undertakes that, save with the prior consent of the Company, it shall not (and procure its nominees, who are the holders of the convertible preference shares or the then holders of the convertible preference shares other than its nominees, if any, shall not) directly or indirectly, through whatsoever means, hold more than 5% of the total number of issued ordinary shares of the Company, individually or collectively, and (ii) the Company should meet the public float requirements under the Listing Rules that the public shall hold not less than 25% of the total number of issued ordinary shares of the Company or the minimum percentage as set out in the Listing Rules from time to time after the conversion.

39 SHARE CAPITAL *(Continued)*

(a) Shares *(Continued)*

Movements of issued capital were as follows:

	Issued ordinary shares	Issued redeemable convertible preference shares	Share premium	Total
	$'000	$'000	$'000	$'000
At 1 January 2013	59,773	—	6,724	66,497
1,770,710,526 redeemable convertible preference shares issued during the year	—	35,414	973,891	1,009,305
417,768,000 redeemable convertible preference shares redeemed during the year	—	(8,355)	(229,773)	(238,128)
At 31 December 2013 and at 1 January 2014	**59,773**	**27,059**	**750,842**	**837,674**
441,176,470 redeemable convertible preference shares issued during the year	**—**	**8,823**	**291,177**	**300,000**
At 31 December 2014	**59,773**	**35,882**	**1,042,019**	**1,137,674**

(b) Share options

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

(c) 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 under common control, 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.

39 SHARE CAPITAL *(Continued)*

(c) Share awards *(Continued)*

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

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

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

	2014		2013	
	Average fair value per share	**Number of awarded shares**	Average fair value per share	Number of awarded shares
	$		$	
At 1 January		**6,576,000**		5,976,000
Awarded		**—**	0.85	3,160,000
Forfeited	**0.52**	**(696,000)**	0.86	(1,648,000)
Vested	**0.48**	**(1,792,000)**	0.57	(912,000)
At 31 December		**4,088,000**		6,576,000

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

	2014		2013	
	Value	**Number of shares held**	Value	Number of shares held
	$'000		$'000	
At 1 January	**25,115**	**40,944,000**	22,650	37,944,000
Purchased during the year	**429**	**608,000**	2,986	3,912,000
Vested during the year	**(1,101)**	**(1,792,000)**	(521)	(912,000)
At 31 December	**24,443**	**39,760,000**	25,115	40,944,000

During the year, the Share Award Scheme transferred 1,792,000 shares of the Company (2013: 912,000 shares) to the awardees upon vesting of certain awarded shares. The total cost of the vested shares was $1,101,000 (2013: $521,000).

The remaining vesting period of the awarded shares in the Company outstanding as at 31 December 2014 is between 1 year and 2.5 years.

40 SHARE OPTION SCHEMES

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

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

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

(i) 2002 Share Option Scheme

(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;

40 SHARE OPTION SCHEMES *(Continued)*

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

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

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

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

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

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

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

(c) *Total number of shares available for issue under the 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.

40 SHARE OPTION SCHEMES *(Continued)*

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

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

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

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

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

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

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

	2014		2013	
	Weighted average exercise price per share	**Number of options**	Weighted average exercise price per share	Number of options
	$	**'000**	$	'000
At 1 January	**1.5**	**91,500**	1.5	92,700
Lapsed during the year	**1.5**	**(300)**	1.5	(1,200)
At 31 December	**1.5**	**91,200**	1.5	91,500

(Expressed in Hong Kong dollars)

40 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 option									
Name or category of participant	Outstanding as at 1 January 2014	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 2014	Date of grant of share options (DD/MM/YYYY) (note 2)	Exercise period of share options (DD/MM/YYYY)	Subscription price per share $ (note 3)
Directors										
Cheung Choi Ngor	8,666,666	–	–	–	–	–	8,666,666	18/09/2007	18/09/2008 – 17/09/2017	1.500
	8,666,667	–	–	–	–	–	8,666,667	18/09/2007	18/09/2009 – 17/09/2017	1.500
	8,666,667	–	–	–	–	–	8,666,667	18/09/2007	18/09/2010 – 17/09/2017	1.500
Ng Yuk Fung Peter	8,666,666	–	–	–	–	–	8,666,666	18/09/2007	18/09/2008 – 17/09/2017	1.500
	8,666,667	–	–	–	–	–	8,666,667	18/09/2007	18/09/2009 – 17/09/2017	1.500
	8,666,667	–	–	–	–	–	8,666,667	18/09/2007	18/09/2010 – 17/09/2017	1.500
Sub-total	52,000,000	–	–	–	–	–	52,000,000			
Employees										
In aggregate	1,333,333	–	–	–	–	–	1,333,333	18/09/2007	18/09/2008 – 17/09/2017	1.500
	1,333,333	–	–	–	–	–	1,333,333	18/09/2007	18/09/2009 – 17/09/2017	1.500
	1,333,334	–	–	–	–	–	1,333,334	18/09/2007	18/09/2010 – 17/09/2017	1.500
	1,766,666	–	–	(100,000)	–	(100,000)	1,566,666	25/09/2007	25/09/2008 – 24/09/2017	1.500
	1,766,666	–	–	(100,000)	–	(100,000)	1,566,666	25/09/2007	25/09/2009 – 24/09/2017	1.500
	1,766,668	–	–	(100,000)	–	(100,000)	1,566,668	25/09/2007	25/09/2010 – 24/09/2017	1.500
Sub-total	9,300,000	–	–	(300,000)	–	(300,000)	8,700,000			
Others										
In aggregate	9,866,665	–	–	–	–	–	9,866,665	18/09/2007	18/09/2008 – 17/09/2017	1.500
	9,866,666	–	–	–	–	–	9,866,666	18/09/2007	18/09/2009 – 17/09/2017	1.500
	9,866,669	–	–	–	–	–	9,866,669	18/09/2007	18/09/2010 – 17/09/2017	1.500
	200,000	–	–	–	–	100,000	300,000	25/09/2007	25/09/2008 – 24/09/2017	1.500
	200,000	–	–	–	–	100,000	300,000	25/09/2007	25/09/2009 – 24/09/2017	1.500
	200,000	–	–	–	–	100,000	300,000	25/09/2007	25/09/2010 – 24/09/2017	1.500
Sub-total	30,200,000	–	–	–	–	300,000	30,500,000			
Total	91,500,000	–	–	(300,000)	–	–	91,200,000			

(Expressed in Hong Kong dollars)

40 SHARE OPTION SCHEMES *(Continued)*

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

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

Notes:

(1) Due to internal re-organization, an employee holding options under the 2002 Share Option Scheme had been re-classified. Consequently, 300,000 options were re-classified from "Employees" to "Others".

(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 for 300,000 share options which have been lapsed, no share option has been granted, exercised or cancelled during the year ended 31 December 2014. The Group recognised no share option expense in the years ended 31 December 2014 and 2013.

At the end of the reporting period, the Company had 91,200,000 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 91,200,000 additional ordinary shares of the Company with additional cash received of $136,800,000.

(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.

40 SHARE OPTION SCHEMES *(Continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

(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 2014, 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.

40 SHARE OPTION SCHEMES *(Continued)*

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

(d) *Maximum entitlement of each participant*

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

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

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

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

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

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

An amount of $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 2014, no share option has been granted, exercised or cancelled under the 2012 Share Option Scheme since its adoption.

41 RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 39 to 40.

(b) Nature and purpose of reserves

(i) *Share premium and capital redemption reserve*

The share premium and capital redemption reserve represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) *Contributed surplus*

The excess of the value of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange was credited to the contributed surplus.

(iii) *Merger reserve*

It represents the excess of the consideration over the carrying amount of net assets acquired under common control transactions.

(iv) *Land and buildings revaluation reserve*

The land and buildings revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings held for own use in note 2.4(g).

41 RESERVES *(Continued)*

(b) Nature and purpose of reserves *(Continued)*

(v) *Available-for-sale financial assets revaluation reserve*

The available-for-sale financial assets reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the reporting date and is dealt with in accordance with the accounting policies as set out in note 2.4(m).

(vi) *PRC statutory reserve*

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 2014 (2013: Nil).

(vii) *Goodwill reserve*

The goodwill arising on consolidation has been set up and dealt with in accordance with the transitional arrangements under HKFRS 3 (August 2004). Goodwill which had previously been taken directly to reserves (i.e. goodwill which arose before 1 January 2001) will not be recognised in profit or loss on disposal or impairment of the acquired business, or under any other circumstances.

(viii) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong. The reserve is dealt with in accordance with the accounting policy as set out in note 2.4(bb).

(ix) *Employee share-based compensation reserve*

The employee share-based compensation reserve comprises the fair value of the unvested share awards and the unexercised share options of the Group at grant date that has been recognised in accordance with the accounting policy as set out in note 2.4(y).

(c) Dividend

The Company had not declared or paid any dividend during the year (2013: Nil) and the board of directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: Nil).

41 RESERVES *(Continued)*

(d) Company

	Note	Share premium $'000	Capital redemption reserve $'000	Shares held for Share Award Scheme $'000	Employee share-based compensation reserve# $'000	Retained profits $'000	Total $'000
At 1 January 2013		6,724	223	(22,650)	51,999	28,088	64,384
Loss and total comprehensive income 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 lapse of share options		—	—	—	(651)	651	—
Recognition of equity-settled share-based compensation: share award		—	—	—	1,265	—	1,265
At 31 December 2013 and 1 January 2014		**750,842**	**223**	**(25,115)**	**52,092**	**22,393**	**800,435**
Profit and total comprehensive income for the year	11	**—**	**—**	**—**	**—**	**59,657**	**59,657**
Issuance of redeemable convertible preference shares		**291,177**	**—**	**—**	**—**	**—**	**291,177**
Shares purchased for Share Award Scheme		**—**	**—**	**(429)**	**—**	**—**	**(429)**
Vesting of shares awarded under Share Award Scheme		**—**	**—**	**1,101**	**(852)**	**(249)**	**—**
Transfer of employee share-based compensation reserve upon lapse of share options		**—**	**—**	**—**	**(163)**	**163**	**—**
Recognition of equity-settled share-based compensation: share award		**—**	**—**	**—**	**1,235**	**—**	**1,235**
Recognition of equity-settled share-based compensation upon lapse of share awarded		**—**	**—**	**—**	**(601)**	**—**	**(601)**
At 31 December 2014		**1,042,019**	**223**	**(24,443)**	**51,711**	**81,964**	**1,151,474**

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

The Company's reserves available for distribution include share premium, capital redemption reserve, employee share-based compensation reserve and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum or articles of association provided that the Company is able to pay its debts as they fall due in the ordinary course of business immediately following the distribution of dividend. Accordingly, the Company's reserves available for distribution to shareholders as at 31 December 2014 amounted to approximately $1,175,917,000 (2013: $825,550,000).

42 CONTINGENT LIABILITIES

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

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Guarantees given to banks in connection with banking facilities granted to:				
FWIL (note 18)	**—**	540,000	**—**	540,000
Subsidiaries	**—**	—	**1,686,888**	1,353,911
Undertaking given to a former associate for banking facilities utilised by the former associate	**13,526**	13,526	**13,526**	13,526
	13,526	553,526	**1,700,414**	1,907,437

As at 31 December 2014, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately $1,158,194,000 (2013: $832,018,000). In 2013, the share attributable to the Group of the banking facilities granted to FWIL guaranteed by the Company were utilised to the extent of approximately $540,000,000.

43 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 34 to the financial statements.

44 OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (notes 14 and 31) under operating lease arrangements with leases are generally 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 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	2013
	$'000	$'000
Within one year	**136,627**	80,205
In the second to fifth years, inclusive	**178,226**	42,442
Over five years	**46,459**	—
	361,312	122,647

44 OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its factory premises and office properties under operating lease arrangements. Leases for these factory premises are 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 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	$'000	$'000
Within one year	**38,272**	34,693
In second to fifth years, inclusive	**58,130**	73,207
Over five years	**74,999**	45,525
	171,401	153,425

The Company did not have any operating lease commitment as at 31 December 2014 (2013: Nil).

45 CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	Group	
	2014	2013
	$'000	$'000
Contracted but not provided for:		
Land and buildings	**63,949**	56,304
Machinery and equipment	**1,819**	659
Land use rights	**11,690**	11,901
Investment property under construction	**—**	29,775
	77,458	98,639
Authorised but not contracted for:		
Property, plant and equipment	**51,881**	49,889

The Company did not have any capital commitment as at 31 December 2014 (2013: Nil).

46 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	
	Note	**2014** **$'000**	2013 $'000
Transactions with an associate:			
Interest expense (note 7)	(i)	**(983)**	(2,269)
Transactions with related companies#:			
Interest income (note 5)**	(ii)	**107,901**	3,900
Rental income**		**5,931**	5,840
Air tickets and travel related services purchased*		**(3,579)**	(4,282)
Property, plant and equipment purchased*		**(120)**	—

\# 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.

Notes:

(i) The interest expense was charged at HIBOR plus 1.15% per annum (2013: HIBOR plus 1.15% per annum) on the outstanding balance of the amount due to FWIL.

(ii) The interest income of $3,889,000 (2013: $3,900,000) was charged at Hong Kong dollar prime rate on the outstanding balance of the loan to the related company. Interest income of $104,012,000 (2013: Nil) arose from loan receivable (note 29) and was charged at effective interest rate on the outstanding balance of the amounts due from the related company.

(b) Outstanding balances with related parties:

Details of the balances with related parties at the end of the reporting period are included in notes 18, 28, 29, 35 and 36 to the financial statements.

(c) 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.

47 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

Financial assets

	2014			
	Financial assets at fair value through profit or loss — held for trading	**Loans and receivables**	**Available-for-sale financial assets**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Available-for-sale financial assets (note 20)	—	—	**71,417**	**71,417**
Trade receivables (note 24)	—	**416,047**	—	**416,047**
Financial assets included in prepayments, deposits and other receivables	—	**109,054**	—	**109,054**
Amounts due from non-controlling shareholders of subsidiaries (note 28)	—	**41,236**	—	**41,236**
Amounts due from affiliates (note 28)	—	**110,765**	—	**110,765**
Loan receivable (note 29)	—	**695,228**	—	**695,228**
Financial assets at fair value through profit or loss (note 26)	**46,696**	—	—	**46,696**
Foreign exchange forward contracts (note 27)	**1,011**	—	—	**1,011**
Cash and bank balances (note 30)	—	**319,898**	—	**319,898**
	47,707	**1,692,228**	**71,417**	**1,811,352**

47 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group *(Continued)*

Financial assets *(Continued)*

	2013			
	Financial assets at fair value through profit or loss — held for trading	Loans and receivables	Available-for-sale financial assets	Total
	$'000	$'000	$'000	$'000
Available-for-sale financial assets (note 20)	—	—	71,689	71,689
Trade receivables (note 24)	—	272,180	—	272,180
Financial assets included in prepayments, deposits and other receivables (restated)	—	96,254	—	96,254
Amounts due from non-controlling shareholders of subsidiaries (note 28)	—	41,999	—	41,999
Amounts due from an affiliate (note 28)	—	78,000	—	78,000
Financial assets at fair value through profit or loss (note 26)	65,271	—	—	65,271
Foreign exchange forward contracts (note 27)	14,617	—	—	14,617
Cash and bank balances (note 30)	—	391,744	—	391,744
	79,888	880,177	71,689	1,031,754

Group

Financial liabilities

	2014		
	Financial liabilities at fair value through profit or loss — designated as such upon initial recognition	**Financial liabilities at amortised cost**	**Total**
	$'000	**$'000**	**$'000**
Trade payables (note 32)	**—**	**373,144**	**373,144**
Financial liabilities included in other payables and accruals	**—**	**401,294**	**401,294**
Foreign exchange forward contracts (note 27)	**3,588**	**—**	**3,588**
Interest-bearing bank borrowings (note 34)	**—**	**3,352,642**	**3,352,642**
Amounts due to non-controlling shareholders of subsidiaries (notes 35 and 36)	**—**	**8,878**	**8,878**
Financial liability included in other non-current liabilities	**406**	**183**	**589**
	3,994	**4,136,141**	**4,140,135**

47 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Group *(Continued)*

Financial liabilities *(Continued)*

	2013		
	Financial liabilities at fair value through profit or loss — designated as such upon initial recognition	Financial liabilities at amortised cost	Total
	$'000	$'000	$'000
Trade payables (note 32)	—	353,155	353,155
Financial liabilities included in other payables and accruals	1,393	374,347	375,740
Interest-bearing bank borrowings (note 34)	—	2,306,061	2,306,061
Amounts due to non-controlling shareholders of subsidiaries (notes 35 and 36)	—	56,485	56,485
Amount due to an affiliate (restated)	—	4,553	4,553
Amount due to an associate (note 18)	—	105,948	105,948
Financial liability included in other non-current liabilities	956	—	956
	2,349	3,200,549	3,202,898

Company

Financial assets

	2014		
	Financial assets at fair value through profit or loss — held for trading	**Loans and receivables**	**Total**
	$'000	**$'000**	**$'000**
Amounts due from subsidiaries (note 17)	—	**3,911,459**	**3,911,459**
Financial assets included in other receivables	—	**2,777**	**2,777**
Financial assets at fair value through profit or loss (note 26)	**34,533**	—	**34,533**
Foreign exchange forward contracts (note 27)	**1,011**	—	**1,011**
Cash and bank balances (note 30)	—	**23,328**	**23,328**
	35,544	**3,937,564**	**3,973,108**

47 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company *(Continued)*

Financial assets *(Continued)*

	2013		
	Financial assets at fair value through profit or loss — held for trading $'000	Loans and receivables $'000	Total $'000
Amount due from subsidiaries (note 17)	—	3,131,061	3,131,061
Financial assets included in other receivables	—	2,738	2,738
Financial assets at fair value through profit or loss (note 26)	28,386	—	28,386
Foreign exchange forward contracts (note 27)	3,191	—	3,191
Cash and bank balances (note 30)	—	20,154	20,154
	31,577	3,153,953	3,185,530

Company

Financial liabilities

	2014		
	Financial liabilities at fair value through profit or loss — designated as such upon initial recognition $'000	**Financial liabilities at amortised cost $'000**	**Total $'000**
Interest-bearing bank borrowings (note 34)	—	**1,608,121**	**1,608,121**
Amounts due to subsidiaries (note 17)	—	**1,343,328**	**1,343,328**
Financial liabilities included in other payables	**1,510**	**11,030**	**12,540**
Other non-current liabilities	**406**	—	**406**
	1,916	**2,962,479**	**2,964,395**

47 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company (*Continued*)

Financial liabilities (*Continued*)

	2013		
	Financial liabilities at fair value through profit or loss — designated as such upon initial recognition $'000	Financial liabilities at amortised cost $'000	Total $'000
Interest-bearing bank borrowings (note 34)	—	1,194,835	1,194,835
Amounts due to subsidiaries (note 17)	—	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

48 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair value of cash and bank balances, trade payables, financial liabilities included in other payables and accruals, trade receivables and the current portion of financial assets included in prepayments, deposits and other receivables, interest-bearing bank borrowings and balances with affiliates and non-controlling shareholders of subsidiaries approximate their carrying amounts.

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 financial liabilities included in 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 fair values of listed equity investments and club debentures are based on quoted market prices.

48 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

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 the fair value hierarchy and the foreign exchange forward contracts were classified as Level 2 under the 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 (2013: Nil).

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

(a) 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** $'000
2014	**50**	**15,164**
2013	50	10,101

(b) 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 carrying value of monetary assets and liabilities).

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Foreign currency risk *(Continued)*

(i) *Exposure to currency risk*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency are excluded.

Group

	Exposure to Renminbi *(expressed in Hong Kong dollars)*	
	2014	2013
	$'000	$'000
Assets	**98,027**	92,145
Liabilities	**(371,811)**	(333,793)
Gross exposure arising from recognised non-derivative assets and liabilities	**(273,784)**	(241,648)
Notional amounts of forward exchange contracts	**1,212,648**	428,956
Net exposure arising from recognised assets and liabilities	**938,864**	187,308

(ii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit before tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

Group

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit before tax**	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax
		$'000		$'000
RMB	**5%**	**46,943**	5%	9,365
	(5)%	**(46,943)**	(5)%	(9,365)

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Foreign currency risk *(Continued)*

(ii) *Sensitivity analysis (Continued)*

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit before tax measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2013.

(c) 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 Group and the Company are also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 42 to the financial statements.

At the end of the reporting period, the Group had certain concentrations of credit risk as 59% (2013: 56%) of the Group's trade receivables were due from the Group's five largest customers within the trading and manufacturing segment.

(d) 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.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

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

	2014			
	Within 1 year or on demand	**More than 1 year but less than 5 years**	**More than 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	**373,144**	**—**	**—**	**373,144**
Other payables	**401,294**	**—**	**—**	**401,294**
Interest-bearing bank borrowings	**2,104,260**	**1,334,728**	**8,857**	**3,447,845**
Foreign exchange forward contracts	**3,588**	**—**	**—**	**3,588**
Amounts due to non-controlling shareholders of subsidiaries	**937**	**7,941**	**—**	**8,878**
Financial liability included in other non-current liabilities	**—**	**589**	**—**	**589**
	2,883,223	**1,343,258**	**8,857**	**4,235,338**

Group

	2013			
	Within 1 year or on demand	More than 1 year but less than 5 years	More than 5 years	Total
	$'000	$'000	$'000	$'000
Trade payables	353,155	—	—	353,155
Other payables	375,740	—	—	375,740
Interest-bearing bank borrowings	1,057,306	1,355,899	7,161	2,420,366
Amounts due to non-controlling shareholders of subsidiaries	23,438	33,047	—	56,485
Amount due to an affiliate (restated)	4,553	—	—	4,553
Amount due to an associate	2,151	110,250	—	112,401
Financial liability included in other non-current liabilities	—	956	—	956
	1,816,343	1,500,152	7,161	3,323,656

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Liquidity risk *(Continued)*

Company

	2014		
	Within 1 year or on demand	**More than 1 year but less than 5 years**	**Total**
	$'000	**$'000**	**$'000**
Interest-bearing bank borrowings	**898,894**	**771,929**	**1,670,823**
Amounts due to subsidiaries	**—**	**1,343,328**	**1,343,328**
Other payables	**12,540**	**—**	**12,540**
Other non-current liabilities	**—**	**406**	**406**
	911,434	**2,115,663**	**3,027,097**

Company

	2013		
	Within 1 year or on demand	More than 1 year but less than 5 years	Total
	$'000	$'000	$'000
Interest-bearing bank borrowings	202,181	1,070,175	1,272,356
Amounts due to subsidiaries	—	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

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(e) Equity price risk

The following table demonstrates the sensitivity to every 10% change in the fair values of the Group's 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 $'000	**Change in profit before tax $'000**
2014		
Investments held for trading listed in:		
— Hong Kong	**44,509**	**4,451**
— Mainland	**2,187**	**219**

	Carrying amount of equity investments $'000	Change in profit before tax $'000
2013		
Investments held for trading listed in:		
— Hong Kong	64,036	6,404
— Mainland	1,235	124

(f) 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 defines capital to be total equity.

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 2014 and 31 December 2013.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Capital management *(Continued)*

The Group monitors capital using a gearing ratio, which is total long-term bank borrowings divided by capital. The Group's policy is to maintain the gearing ratio below 50%. The long-term bank borrowings include non-current portion of interest-bearing bank borrowings. Capital includes total equity. The gearing ratios at the end of the reporting periods were as follows:

	Group	
	2014	2013
	$'000	$'000
Interest-bearing bank borrowings	**1,314,135**	1,314,925
Capital	**5,033,655**	4,663,807
Gearing ratio	**26.1%**	28.2%

50 ACQUISITION OF NON-CONTROLLING INTERESTS

On 28 July 2014, the Company announced that, on 25 July 2014, South China Strategic Limited (the "Transferee"), an indirect wholly-owned subsidiary of the Company, entered into the equity transfer agreements with Nanjing Machinery & Electronics Industrial (Group) Co., Limited (南京機電產業(集團)有限公司) (the "Transferor") and Nanjing Assets and Equity Exchange (南京產權交易中心), as the witness, for the acquisition of all the minority stakes in certain indirect non-wholly-owned subsidiaries of the Company (the "Target Subsidiaries") held by the Transferor at a total consideration of RMB34.9 million. The Target Subsidiaries, all being property holding companies, hold certain properties at Nanjing, PRC, mostly for rental income. The equity transfer agreements (signed by the Transferor and the Transferee) were submitted to Nanjing Assets and Equity Exchange (南京產權交易中心) on 25 July 2014 for its signing and the duly signed equity transfer agreements were returned on 28 July 2014. Details of the transactions were set out in the Company's announcements dated 28 July 2014. Upon completion of the transactions on 31 December 2014, the target subsidiaries became wholly-owned subsidiaries of the Group and the changes recognised in other reserve as follows:

	13% of 南京微分電機有限公司	**15% of 南京電力電容器有限公司**	**15% of 南京液壓件二廠有限公司**	**Total**
	$'000	$'000	$'000	$'000
Consideration paid	39,668	3,202	709	43,579
Non-controlling interests acquired	(65,143)	(1,630)	(14,326)	(81,099)
	(25,475)	1,572	(13,617)	(37,520)

51 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 comparative amounts have been restated to conform with the current year's presentation.

Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries at 31 December 2014 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
Autowill Limited	British Virgin Islands ("BVI")	US$1	100%	Investment holding
Beat Time Enterprises 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 of toys
Eastand Investments Limited	Hong Kong	HK$2	100%	Property investment
Everwin Toys (Dongguan) Co., Ltd (note (d))	The PRC/ Mainland China	HK$64,500,000	100%	Manufacturing of toys
Guang Dong Huaxin Fruit Development Co. Ltd. (note (d))	The PRC/ Mainland China	US$7,500,000	100%	Fruit plantation
海興華豐農業有限公司 (note (d))	The PRC/ Mainland China	HK$8,250,000	100%	Woods and crops plantation
遼寧長盛置業有限公司 (note (c))	The PRC/ Mainland China	RMB1,030,000,000	80%	Property investment
Nanjing South China Dafang Electric Co., Ltd (note (d))	The PRC/ Mainland China	RMB77,550,000	100%	Property investment
Nanjing South China Huaguan Compressor Ltd. (note (d))	The PRC/ Mainland China	RMB53,426,450	100%	Property investment
Nanjing South China Sanda Motor Co. Ltd. (note (d))	The PRC/ Mainland China	RMB18,940,000	100%	Property investment
Nanjing South China Santa Machinery Co., Ltd. (note (d))	The PRC/ Mainland China	RMB48,093,733	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
南京電力電容器有限公司 (notes (d), (e))	The PRC/ Mainland China	RMB1,425,400	100%	Property investment
南京液壓件二廠有限公司 (notes (d), (e))	The PRC/ Mainland China	RMB2,345,600	100%	Property investment
南京第二壓縮機有限 公司 (note (d))	The PRC/ Mainland China	RMB16,756,800	100%	Property investment
南京電機有限公司 (note (d))	The PRC/ Mainland China	RMB25,261,300	100%	Property investment
南京微分電機有限公司 (notes (d), (e))	The PRC/ Mainland China	RMB29,035,500	100%	Property investment
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
瀋陽華寶農林綜合開發有限公司 (note (d))	The PRC/ Mainland China	US$2,000,000	100%	Woods and crops plantation
瀋陽華凱農林開發有限公司 (note (d))	The PRC/ Mainland China	US$2,100,000	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
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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
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
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
Thousand China Investments Limited	BVI	US$1	100%	Investment holding
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
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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
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
武漢港洋林業發展有限公司 (note (d))	The PRC/ Mainland China	RMB1,000,000	100%	Forestry

Notes:

(a) Except for 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.

(e) During the year ended 31 December 2014, the Group acquired 13%, 15% and 15% additional equity interest in 南京微分電機有限公司, 南京電力電容器有限公司 and 南京液壓件二廠有限公司 respectively for a total cash consideration of RMB34,850,400.

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 2014 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.

Summary of Financial Information

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

	2014	2013	2012	2011	2010
	$'000	$'000	$'000	$'000	$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Revenue	**3,159,789**	3,013,518	2,354,199	3,103,165	2,649,257
Profit before tax	**222,301**	317,099	380,879	377,698	2,165,975
Income tax	**(32,660)**	(33,481)	(36,053)	(51,519)	(465,955)
Profit for the year	**189,641**	283,618	344,826	326,179	1,700,020
Attributable to:					
Owners of the Company	**198,903**	285,604	329,070	306,214	1,087,849
Non-controlling interests	**(9,262)**	(1,986)	15,756	19,965	612,171
	189,641	283,618	344,826	326,179	1,700,020

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2014	2013	2012	2011	2010
	$'000	$'000	$'000	$'000	$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	**10,166,217**	8,843,617	8,299,114	7,901,052	6,692,269
Total liabilities	**(5,132,562)**	(4,179,810)	(3,491,319)	(3,262,378)	(2,711,323)
Non-controlling interests	**(380,430)**	(483,756)	(835,087)	(818,728)	(767,407)
	4,653,225	4,180,051	3,972,708	3,819,946	3,213,539

Details of Properties

1 INVESTMENT PROPERTIES

	Location	Group's interest	Existing use
(a)	**Hong Kong**		
	UG, G and carpark The Centrium No. 60 Wyndham Street, Central Hong Kong	30%	Commercial
	31st, 33rd and 36th floor The Centrium No. 60 Wyndham Street, Central Hong Kong	100%	Commercial
	Units A, B, C and D on 2nd Floor Units A, B, C and D on 3rd Floor Units A, B, C and D on 4th Floor Units A and B on 6th Floor Units A, B and D on 10th Floor Units A, B, C and D on 12th Floor Unit B, C and D on 13th Floor Car Parking Space Nos. 7, 17, 18 and 19 and Lorry Parking Space Nos 3, 12, 13, 21, 25 and 26 Wah Shing Centre 5 Fung Yip Street Chaiwan Hong Kong	100%	Industrial and carparking
	1st Floor of Block G Kimberley Mansion No. 15 Austin Avenue Tsim Sha Tsui Kowloon Hong Kong	100%	Residential
	The 1st floor and 2nd floor On Lok Yuen Building and the four lavatories thereof Nos. 25, 27 & 27A Des Voeux Road Central Hong Kong	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(a)	**Hong Kong** *(Continued)*		
	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	100%	Commercial
	Ground Floor to 5th Floor (The Whole Block) Nos. 18–20 Ming Fung Street Wong Tai Sin Kowloon Hong Kong	100%	Commercial and residential
	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	100%	Industrial and carparking
	Units A, B and C on 7th Floor and the three lavatories thereof Century House Nos. 3–4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
	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	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

Location	Group's interest	Existing use
(a) Hong Kong *(Continued)*		
Units B and C on 9th Floor and the two lavatories thereof Century House Nos. 3–4 Hanoi Road Tsim Sha Tsui Kowloon Hong Kong	100%	Commercial
The whole of 4th Floor McDonald's Building Nos. 46–54 Yee Wo Street Causeway Bay Hong Kong	100%	Commercial
Unit 14 on 6th Floor Nan Fung Commercial Centre No. 19 Lam Lok Street Kowloon Bay, Kowloon Hong Kong	100%	Commercial
Flats A, B, C and D on 1st Floor Fu Fung Building Nos. 5–7 Tsing Fung Street North Point Hong Kong	100%	Commercial
2nd Floor No. 10A Austin Avenue Tsim Sha Tsui Kowloon Hong Kong	100%	Residential
Unit No. 1022 on 10th Floor, Nan Fung Centre Nos. 264–298 Castle Peak Road and Nos. 64–98 Sai Lau Kok Road Tsuen Wan New Territories Hong Kong	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(b)	**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	100%	Commercial
	A building and a land parcel located at No. 32 Shi Zi Qiao Gulou District Nanjing City Jiangsu Province The PRC	100%	Commercial
	Various buildings and two land parcels located at No. 36 Zhe Fang Road Baixia District Nanjing City Jiangsu Province The PRC	100%	Commercial
	Various buildings and 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

1 INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(b)	**Mainland China** *(Continued)*		
	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	100%	Commercial
	A building and a land parcel located at No. 2 Tuoyuan, Nanhu Street Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial
	Various buildings and a land parcel located at No. 292 Sheng Zhou Road Jianye District Nanjing City Jiangsu Province The PRC	100%	Commercial

1 INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(b)	**Mainland China** *(Continued)*		
	Various buildings and a land parcel located at Zhetang Town Industrial Park Lishui County Nanjing City Jiangsu Province The PRC	100%	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 and 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 Wu Si 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

1 INVESTMENT PROPERTIES *(Continued)*

	Location	Group's interest	Existing use
(b)	**Mainland China** *(Continued)*		
	Avenue of Stars (previously named as Fortuna Plaza) No. 168 Chaoyang Street Shenhe District Shenyang City Liaoning Province The PRC	80%	Commercial
(c)	**Taiwan**		
	Unit 2 on Level 15, Unit 1 on Level 24 and portion of Basement Level 2 No. 303 Zhongming Road South West District, Tu Fu Section, Taichung City Taiwan	100%	Commercial

2 INVESTMENT PROPERTIES PRESENTED AS NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Location	Marketable floor area	Group's interest	Existing use
Hong Kong			
16th, 21st, 23rd, 26th floor The Centrium No. 60 Wyndham Street Central Hong Kong	44,000 sq.ft.	100%	Commercial